BUSINESS WEEK



Llewellyn's Flexible Flyer: Grandsons are the customers (page 46)

DEC. 17, 1955

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TMAGINE a 10,000 gallon fuel tank that weighs only 750 pounds, can be carried in a small chest, then unrolled like a rug and filled in minutes. It's a reality and a boon to the military and operators of trucks, earth-movers, oil rigs or other equipment where temporary storage of fuel is required.

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At the new building of The Philadelphia Evening and Sunday Bulletin, gigantic newspaper printing presses reel off 210,000 newspapers an hour . . . in an atmosphere controlled by American Blower equipment.

A relatively high humidity in the press room is a must – for the speeding miles of paper could tear if too dry, and cause a delay. This added moisture, precisely controlled, also improves printing. The stereotype section, however – where lead printing plates are cast – calls for different treatment. Here, American Blower ventilating equipment works round the clock to rid the area of heat

generated by the metal pots.

Considered by many as "the mechanical show-case of modern journalism," the new Bulletin Building requires varied air conditions throughout its over 500,000 sq. ft. area. For cooling, heating, ventilating, air filtering, humidifying, and dehumidifying — both men and machines depend on 78 American Blower units in the race of getting news to readers faster.

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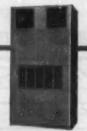


New Bulletin Building. Architects: George Howe & Robert Montgomery Brown, Mechanical Contractors: Riggs Distler & Company, Inc. Special Consultants: William Ginsberg Associates. Consulting Engineers: A. Ernest D'Ambly; Pennell & Wiltberger; Keast & Hood.



In the section where printing plates are made, there is 'round-the-clock ventila-. to exhaust heat generated by the melting and casting of lead.

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INSULATION C

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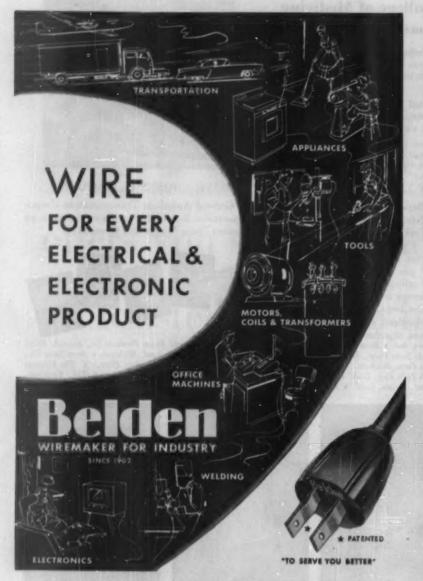


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	(36)		20
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READERS REPORT



Gamal Abdel Namer

Nasser's Picture

Dear Sir:

If you will permit an Arab who has admired your magazine for a long time some Ogden Nashian criticism:

"In BUSINESS WEEK of November nineteen, nineteen fifty-five

I think I spy a quite unusual mix-up on page one hundred and forty-five:

The gentleman your caption claims is Lieutenant Colonel Gamal Abdel Nasser

Is really Major General Mohammed Naguib, his immediate predecessor!"

FAUZI F. SABA

ARLINGTON, VA.

Dear Sir:

Are you sure that the picture of Lt. Col. Nasser [BW—Nov.19'55,-p145] shows really him? It seems rather to me that it is good, old Naguib, the great redeemer of Egypt, who is there appearing, smiling and friendly, before he was kicked out of his office by his buddy Nasser, and disappeared completely from the political scene.

By the way, that article Russians Try a Bid on Egypt's Huge Dam on page 142 of the same issue was very interesting and full of the all around information one expects from BW. Something struck me particularly—why do the Egyptians ask for outside financial help when they are quite willing to spend \$100-million on their armed forces. Their recently announced arms deal with the Russians is going to cost them \$80-million, a sum which would go a long way to initiate the Aswan project on which de-

14



NEW C/R OIL SEAL PREVENTS FRICTIONAL LOSS IN BODINE GEAR REDUCERS

Minimizing tortional drag is essential for efficient transmission of power over a wide range of speeds. The specially developed C/R Oil Seal used on the output shaft of Bodine gear reducer Motors meets the requirements of this leading manufacturer for a long-life precision unit. This seal provides greater power efficiency, requires no adjustment, assures positive sealing of the gear lubricant with the motor in any position. Of special importance is the compactness of its Sirvene (synthetic rubber) sealing member, which makes it possible to have positive, longlife sealing where restricted axial housing space prevents the use of any standard type seal. For over 30 years, C/R Engineers have made such applications a successful specialty . . . solving all types of tough sealing problems encountered in the industrial, automotive and equipment fields. Our Engineers would welcome the opportunity to be of assistance to you, too. We would like to send a copy of "C/R Perfect Oil Seals" as a get-acquainted gesture . . . just write, we'll mail it promptly.



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throughout our plant

-Sage Superintendent of Maintenance VICTOR ADDING MACHINE COMPANY

Victor Adding Machine Company, Chicago, insists on maximum production in floor-cleaning as well as in manufacturing. Like other production-wise industrial concerns, Victor cleans floors with a Job-Fitted Combination Scrubber-Vac! This single unit

Completely Mechanizes Scrubbing

-applies the cleanser, scrubs, flushes if required, and picks up - all in one operation! Job-fitted to specific needs, a Scrubber-Vac provides maximum brush coverage. Model 213P, shown in illustrations at left, is designed for heavy duty scrubbing of large-area floors. It has a 26-inch brush spread, and cleans up to 8,750 sq. ft. per hour! Finnell makes still larger sizes - in gasoline as well as electric models - and also sixes for smaller operations. From this complete line, you can choose the Scrubber-Vac that will put your floor-cleaning on a production basis and reduce labor costs. And you can lease or purchase the machine. Maintenance men like the convenience of working with a Scrubber-Vac. This all-in-one unit is self-propelled, and there are no switches to set for fast or slow - slight pressure of the hand on clutch lever adjusts speed to desired rate.

It's also good to know there's a Finnell Floor Specialist and Engineer nearby to help train your operators in the proper use of Finnell Equipment and to nake periodic check-ups. For demonstration, consultation, or literature, phone or write nearest Finnell Branch or Finnell System, Inc., 3812 East St., Elkhart, Ind. Branch Offices in all principal cities of the United States and Canada.

IN ALL PRINCIPAL

pends so much for their future. This behavior of the Egyptians is unfortunately rather typical, and symptomatical of the feverish atmosphere in which dealings with them are taking place. They expect us to pay a good deal of the expenditures for their most urgent project while at the same time they themselves are squandering their money like megalomaniacs on military preparations.

WILLIAM J. BARNES SHELTON, CONN.

· Readers Saba and Barnes are quite correct. For a picture of Lt. Col. Nasser (page 8).

Witte Honorgrium

I am writing to express my great sense of pleasure at finding that BUSINESS WEEK has selected Prof. Witte of Wisconsin as the feature subject of its current issue [BW-

Nov.26'55,p92].

The decision to emphasize Prof. Witte's broad-gauged approach to social problems strikes me as a particularly happy one. Indeed, the variety of his accomplishments serves as a splendid example of his teacher, Prof. John R. Commons' advice to students to combine academic and governmental work. To succeed in this combination one has to bring to all one's tasks a wide as well as a deep knowledge. That BUSINESS WEEK took pains to point this out is, besides being praiseworthy, an indication that the essence of the best in the Wisconsin Idea has been generally appreciated.

The selection of Prof. Witte as President of the American Economic Assn., itself recalls the association's founders' original intention when they wrote in their platform: . .we look not so much to speculation as to an impartial study of actual conditions of economic life for the satisfactory accomplishment of that development."

Again, may I say, as one of Prof. Witte's students, how pleased I am that your magazine has in honoring the economics profession, chosen

to honor him.

MARK PERLMAN

ASST. PROF. OF POLITICAL ECONOMY THE JOHNS HOPKINS UNIV. BALTIMORE, MD.

Dear Sir:

BUSINESS WEEK deserves an honorary degree from a dozen universities for making clear to the business world what an important



See the happy banker! He's about to collect a healthy bet — from a comptroller whose company wants a healthy loan.

Undiplomatic? Maybe the banker doesn't care. The loan, you see, will be refused.

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segment of their economics faculties are contributing to American government and industry, as well as to the education of young men.

In the article on Ed Witte. through an example par excellence. you have demonstrated that, while business executives may hear much of the mysteries of mathematical and theoretical economics, they are benefitting far more tangibly from the less spectacular work of economists who make public policy and effective public administration the focus of their careers. Government, industry, and the economics profession should join in saluting Ed Witte as a leader in putting a grand old discipline to the service of the nation and its citizens.

J. DOUGLAS BROWN

DEAN OF THE FACULTY PRINCETON UNIV. PRINCETON, N. J.

Difficult Comparison

Dear Sir:

Trusts in a Falling Market [BW —Nov.12'55,p46] correctly states that mutual fund performance cannot logically be compared to stock indices such as the S & P Stock Average, but contradicts itself seriously in then comparing a long-term investment medium, mutual funds, with a 10-month, short-term period of market index change.

May I, on behalf of this Association's 125 mutual fund company members, caution your readers that mutual funds are not a speculative vehicle for people who intend to make a 10-month commitment in equity securities. Rather, mutual funds are intended to provide a long-term professionally managed investment program for those with long-term investment objectives.

Another contradiction seems to exist between the title Trusts in a Falling Market and the S & P's index figures cited in the article as showing..."An approximate 1955 gain of 15%." The market has, of course, been a rising market thus far in 1955, with interim ups and downs.

Misleading statistical comparisons were, apparently, made in relating costs of buying and selling individual securities to the comparable costs for a mutual fund investment. For mutual funds, the article assumes "round trip" costs of 8%, a rate applying to investments of as little as \$25. The article estimates the "average 10-share purchase and sale on the Big Board costs only half as much" (approximately 4%). It is un-



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OVER 6 MILES of Weldwood Korina® Mayable Partitions are planned for Ford's efficient new administration building. This full-scale model shows part of the installation designed by architects Skidmore, Owings and Merrill, to be made by Detroit Partition Company.



WEDWOOD "STAY-STRATE" DOORS with the Life of the Installation guarantee are used with these partitions. Doors match birch, Kerina and walnut partitions in regular stack. Both blend harmoniausly into any decarative scheme, as in Ford's contemporary setting shown above.

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Here's why Ford's new Central Staff Office Building will use the only flush partitions that combine the beauty of real wood with low-cost movability.

1. THE BEAUTY OF FINE HARDWOOD PANELING adds warmth and dignity that are important to employee morale, and complements any decorating scheme.

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2. NEW OFFICES OVERNIGHT. Weldwood's unique metal key construction locks panels together firmly, yet allows quick rearrangement by regular maintenance crew.

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realistic to compare purchase of a single stock with purchase of a diversified portfolio of 50, 100 or even more issues through a mutual fund purchase.

A more realistic approach would have been to relate "round trip" costs for various dollar amounts available for investment. Assuming a total investment of 5,000 spread over 50 different stocks (using the average price per share of all New York Stock Exchange listed stocks on September 30, 1955 for each issue purchased) the total costs of purchase and sale (round trip) of this 50 stock "portfolio" would be 12.77%. With \$10,000 available for investment, the round trip cost would be 7.42%. It is interesting to note that the average purchase by individuals of mutual fund shares (not including those individuals making small investments regularly under accumulation plans) is under \$2,500.

Another factor which seems to distort the article's comparison base is the inordinately heavy weighting the S & P 90 Stock Index gives to stocks most actively traded or most volatile in price. Throughout 1955, two stocks—General Motors and Standard Oil of New Jersey—have accounted for between 25% and 30% of the total movement of the 90 Stock Index. Such concentration is not characteristic of the portfolios of diversified investment companies.

Disregarding trading costs for a moment, in the 10 months period the article employs, 56 of the stocks in the S & P Index registered gains, and 34 showed slight to moderate declines in value. It is interesting to observe that the 20 common stock mutual funds named in the article actually gained, on average, 8.6% in asset value during the same period after adjustment for security profits distributions. Individual company results ranged from a gain of 2.9% to a gain of 14.9%.

I submit that on this basis alone, mutual funds were the logical choice for the long-term investor who preferred to avoid the 38% chance of loss involved in selecting individual issues from among the 90 stocks in the S & P Stock Index. In spite of this short-term success though, may I re-emphasize the long-term investment nature of open-end investment companies.

EDWARD B. BURR

DIRECTOR, PUBLIC INFORMATION NATIONAL ASSN. OF INVESTMENT COMPANIES NEW YORK, N. Y.

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BUSINESS OUTLOOK

BUSINESS WEEK DEC. 17, 1955



Heip for home building came this week—aimed at keeping the mortgage money pinch from getting too painful and endangering prosperity.

The Federal Home Loan Bank Board "somewhat relaxed" its policy on credit. The step makes borrowing easier for the savings and loan associations for which the Home Loan Bank acts as a sort of Federal Reserve.

The objective, even if nobody will say so in so many words, is to keep homes abuilding at about 1.2-million a year.

Home building in November was at the rate of 1.2-million a year. So it might appear that there was no need for help now.

The only trouble is that the November rate is the lowest for the year (down from 1.4-million as 1955 started).

The fear, quite clearly, is that the downward trend may continue.

Last month, work was started on 90,000 new dwelling units.

The tendency is to say "only 90,000" units, for this looks pretty poor alongside the 103,000 begun in November, 1954. But go back beyond 1954 and just try to find a November that reached 90,000. Even in 1950, the record year, that month barely topped 87,000.

Month-by-month comparisons with a year ago are bound to make home building look bad from now until next summer.

These will be against the rousingest months of the 1955 boom.

Besides, it would take some time to get a real rise in housing starts even with more generous credit relaxations than we saw this week.

So clamor, political or otherwise, to "do something" will go on.

Mortgage lenders have been pinched, to some extent, for eash.

Savings and loan associations have taken in more money than ever before, while mutual savings banks are matching 1953's record deposits. But withdrawals, especially since summer, have been unusually high.

Larger-than-expected withdrawals upset lending schedules, especially in a year when mortgage demand is breaking all records.

Savings-and-loans (largest of the mortgage lenders, doing well over one-third of this business at present) will loan about \$11½-billion on mortgages this year. That will top 1954 by about \$3-billion.

To do so, they've had to fall back fairly heavily on the Federal Home Loan Bank. Their borrowings began to shoot up in the spring, and by late summer they owed FHLB more than \$1.1-billion, a record.

At last count, about 55% of member associations owed FHLB money. That preceded the September curb on borrowing, which was eased this week.

Mutual savings banks appear to have scraped up about \$300-million extra for investment in mortgages by sale of government and corporate

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK DEC. 17, 1955

bonds. In any event, their mortgage portfolios will rise a record \$2½-billion this year as against \$2-billion in 1954.

These banks now have 56% of their assets in mortgages; the total, by yearend, is expected to be about \$17.3-billion.

Value of all work put in place on construction projects has fallen more sharply than usual in recent weeks. (November's \$3.6-billion of on-site work was down \$500-million or 12% from August's peak.)

A large part of this drop may be attributed to weather, which has been considerably less favorable than late autumn a year ago.

But some must be blamed, too, on home building (representing more than one-third of all construction). It has dropped 10% since August, reflecting the declining rate of new housing starts.

You can see clearly the influence of bad weather on the volume of work completed on commercial and industrial construction projects.

As often as not, this type of work continues to rise into the late fall. This year, it could do no more than hold even with August.

Weather also put public works behind schedules. Highway building, for example, in November was down by more than 25% from October.

Here's a giant backlog that has grown up almost overnight:

Railway freight cars now on order total about 140,000. A year ago, there weren't one-tenth that many, and as recently as last June the number came to little more than 17,000.

The American Railway Car Institute estimates that the railways ordered a total of 161,800 cars during 1955—the most for any one year since just after the roads got out of government control in the twenties and began rehabilitating war-worn rolling stock.

Agitation for a rise in crude petroleum prices has been fairly effectively silenced almost before it got going.

Nobody denies that a lot of the oil being taken out of the ground in this country is sold below replacement cost. And colder-than-average temperatures plus industrial demand have strengthened burning oils.

But two of the Standards, New Jersey and Indiana, have put their feet down. Between them, they carry enough weight to nullify any rise.

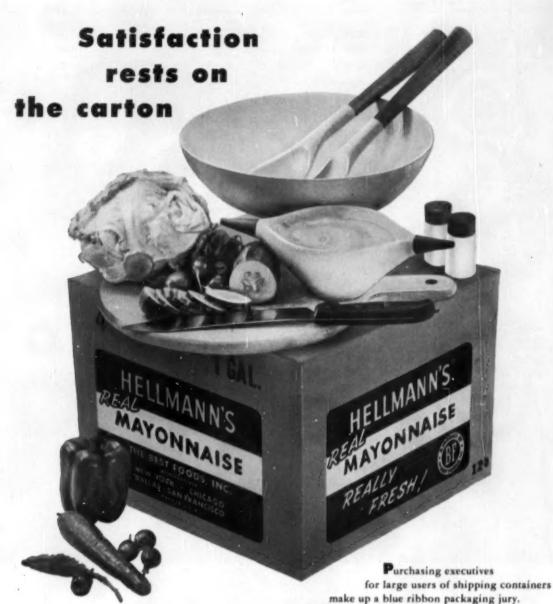
Retailers already are assured of their best year in history.

That's true even should December fall to maintain the rate of gain characteristic of earlier months in 1955. For the 11-month total was \$166-billion, according to the Dept. of Commerce, only \$5-billion short of the \$171-billion record set in 1953 and equaled in 1954.

Autos will determine the exact size of this year's retail record.

They sent sales kiting to \$17.9-billion last December. This year cars are a lot harder to sell. But, even if autos go no better than in November, total retail sales this month should hit \$18½-billion.

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They base their decisions on facts:

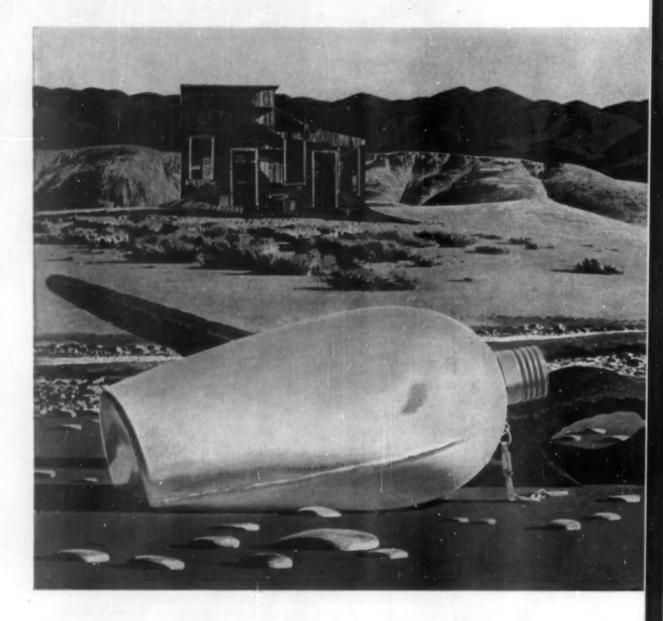
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as one of their major sources for corrugated boxes is important to you.
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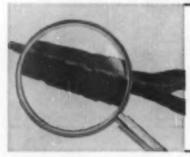
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Tumblers and ice buckets made with Kaiser Aluminum keep their beauty for years and years. They'll never tarnish, never be marred by rust.



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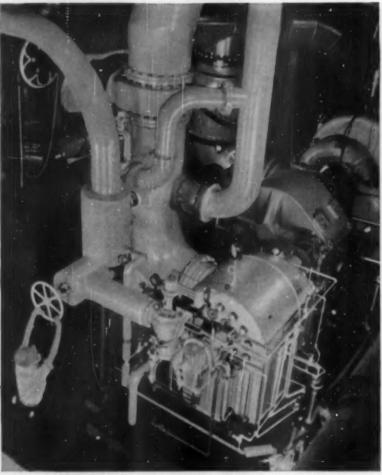
Helps Improve Safety Record 400% in Steel Mill!

Putting color to work in Jones & Laughlin's cold finishing department increases safety record from 1,027,000 man-hours without time-loss accidents to an all-time high of 4,858,579!

By MAKING workers more safety conscious, focusing their attention and minimizing fatigue, Pittsburgh COLOR DYNAMICS has helped to lower the accident rate phenomenally in the cold finishing department of the Pittsburgh Works of the Jones & Laughlin Steel Corporation.

During the time this department was painted according to ordinary shop practice, its best safety record was 1,027,000 man-hours without a lost-time accident. Since being repainted according to COLOR DY-NAMICS, its safety record has zoomed to an all-time high of 4,858,579 hours. An increase in safety of nearly 400%!

"Naturally, we are very pleased with such improvement in our workers' safety," comments Superintendent loe Sevler, of the mill's cold finishing department. "But we believe



Forests of huge pipes in pump and boiler houses of J & L's Pittsburgh Works are easier to Identify since pump lines were painted in dark green with black bands, and vacuum lines in yellow with bands of green and white.

that this is just one of many benefits that have resulted from putting color to work the COLOR DYNAMICS way. By using eye-rest colors on stationary or non-critical parts of machines we have made these areas seem to recede. By contrast, moving or critical parts have been made to stand out. Our operators see their jobs better. With less eye strain there is less fatigue, and lessened fatigue results in more and better productivity.

"Eye-rost and morale-building colors on walls and ceilings have provided more pleasing surroundings that have enhanced the morale of our workers. They take pride in keeping their work areas cleaner and more orderly, thus simplifying housekeeping. And we get all these benefits without paying any more than conventional maintenance painting has

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SBURGH PLATE GLASS

IN CANADA: CANADIAN PITTSBURGH INDUSTRIES LIMITED

FIGURES OF THE WEEK

1947-49=100 150	1947 4	9 - 100 150
30 ~~~		140
20 ~~~		-130 120
10	1955	110
1950 1951 1952 1953	1954 Linday Market Colored Col	100

usiness Week Index (above)	\$ Latest Wook *148.7	Proceeding Week †148.3	Month Ago 148.1	Year Apo 134.3	1946 Averag 91.0
PRODUCTION					
Steel ingot production (thousands of tons). Production of automobiles and trucks. Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands) Electric power output (millions of kilowatt-hours). Crude oil and condensate production (daily av., thousands of bbls.). Bituminous coal production (daily average, thousands of tons).	2,397 217,290 \$54,932 11,426 6,923 1,742 285,519	†2,416 †213,506 \$57,228 11,359 6,836 1,806 286,926	2,394 215,221 \$59,080 10,878 6,808 1,697 295,930	1,950 176,075 \$47,262 9,846 6,341 1,434 258,595	1,28 62,88 \$17,08 4,23 4,75 1,74 167,26
TRADE					
Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars)	73 48 +3% 219	75 55 +10% 209	78 57 +1% 207	68 42 +1% 223	+309
PRICES.					
Spot commodities, daily index (Moody's Dec. 31, 1931 = 100). Industrial raw materials, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100) Foodstuffs, daily index (U. S. Dept. of Labor BLS, 1947-49 = 100). Print cloth (spot and nearby, yd.). Finished steel, index (U. S. Dept. of Labor BLS, 1947-49 = 100). Scrap steel composite (Iron Age, ton). Copper (electrolytic, Connecticut Valley, E&MJ, lb.). Wheat (No. 2, hard and dark hard winter, Kansas City, bu.). Cotton, daily price (middling, 14 designated markets, lb.). Wool tops (Bostou, lb.).	405.9 101.8 73.9 20.5¢ 154.6 \$52.17 44.485¢ \$2.24 33.62¢ \$1.70	405.3 +101.2 +74.6 20.8¢ 154.6 \$49.50 43.375¢ \$2.17 33.61¢ \$1.70	398.8 98.5 75.7 20.4¢ 154.5 \$45.17 43.444¢ \$2.23 33.72¢ \$1.70	405.5 88.9 90.9 18.6e 144.7 \$32.00 30.000e \$2.46 33.89e \$2.15	311.5 117.5. 17.5. 17.5. 17.6. \$20.2 14.045. \$1.9 °30.56. \$1.5
FINANCE					
90 stocks, price index (Standard & Poor's)	361.5 3.62% 3%	361.7 3.60% 2%	362.9 3.58% 21%	274.4 3.45% 11–11%	135.7 3.05% 3-1%
FARKING multiple of dollars)					
Demand deposits adjusted, reporting member banks. Total loans and investments, reporting member banks. Commercial and agricultural loans, reporting member banks. U. S. gov't guaranteed obligations held, reporting member banks. Total federal reserve credit outstanding.	57,256 85,451 26,117 29,559 26,274	156,900 185,337 126,014 29,643 26,012	55,955 85,259 25,485 30,300 25,963	56,583 85,583 22,255 36,752 26,080	††45,820 ††71,910 ††9,29 ††49,879 23,880
MEATHER RESULTS ON WICK		Lutest Month	Praceding Month	Year Age	1946 Averag
Housing starts (in thousands)		90.0 \$173,198 \$1,395 \$15,777	107.0 \$175,807 \$1,253 \$15,840	103.6 \$156,843 \$1,265 \$14,071	55.

CHRISTILLS COUNTY OF THE WIDE	Latest Month	Fraceding Month	Year Age	1944 Average
Housing starts (in thousands)	90.0 \$173,198	107.0 \$175,807	103.6 \$156,843	0000
Exports (in millions). October	\$1,395 \$15,777	\$1,253 515,840	\$1,265 \$14,071	

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UNIT-VERSAL® SWITCHBOARDS



VENTILATED LO-X® BUS



PLUG-IN BUSTRIBUTIONS



VACU-BREAK® DISTRIBUTION



INDUSTRIAL TROLE-DUCTS



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Prices: Up With the New Year

Most manufacturers say they can't stand the pressure of wage and materials boosts any longer.

The rise in the minimum wage gives a fillip to the manufacturers' costs squeeze—not only in low-wage areas but all along the line.

So you can look for some price boosts in January, more of them in the spring.

After the first of the year, prices of many manufactured goods are going to be boosted by 5% or more.

With sales at record levels, and with labor and materials costs still rising, most manufacturers are eager to jack up their prices. And they are generally convinced that they can do it without too much protest. Later on, if sales begin to slide off, they won't be able to lift prices to preserve profit margins. So they want to start now to create a cushion for any pressure that might hit them later.

This is the picture of manufacturers' pricing intentions that emerges from a nationwide survey by BUSINESS WEEK reporters.

 Impatient—The price boosts won't come all at once, the survey shows.
 Some will come right after New Year's Day.

A paint-maker said he was "in no mood to wait longer," would boost his prices about 4%. He insisted that this "would barely take care of the rising cost of raw materials and wages."

A bedding manufacturer also said he was going to make a move right after the first of the year. He said he needed a 10% rise, would probably settle for 5%. "The truth is," said he, "we're in the middle of the biggest spiraling snowball I've seen since the Korean War."

But Wary-However, many manufacturers are hanging back nervously, hoping that somebody else in their field will break the ice.

One kitchen appliance maker said he boosted his prices last July at the Chicago housewares show but had to make a quick about-face when no one would go along with him.

Reluctance to stick his neck out

again will delay this manufacturer, like many others, from slapping on increases until the market has begun to move. But he's confident it will move to push prices in his line of goods up 5% or 10% through the late winter months.

• Wage Jump—In low-wage areas, including most of the South, prices of manufactured goods are expected to go up about 5% around Mar. 1, when the minimum wage is slated to rise from 75¢ to \$1. Some Southern manufacturers won't wait until the minimum wage law actually takes effect, but will put their prices up sooner—while the putting is good.

The rise in the minimum wage is expected to boost wage scales not just at the bottom but all along the line. Said one Houston clothing manufacturer: "It's hard to have a porter or maid making \$40 and pay a scamstress only \$45." And a man in the pajama game in North Carolina noted: "We pay our operators more than the minimum, but if you raise a sweeper's pay, you've got to escalate everybody else a little. They expect it, and I guess they're right."

This pajama-maker figures that around Mar. 1 he'll have to raise his price by 3% or 3½%.

• Spreading Effect—In the low-wage South, a large part of the labor force will be directly affected by the minimum wage hike. In North Carolina, for instance, the State Labor Dept. predicts a wage increase for 170,000 out of 650,000 workers who are covered by the federal law.

Goods and materials produced in the South flow to a nationwide market, so a wage and price boost there will also put pressure on prices in high wage regions. A rise in the price of cloth

from the South will, for example, suggest a rise in the price of clothing.

Wages below the new minimum aren't restricted to the South, either. Pay scales in other areas will be spottily raised, too, even before the merged AFL-CIO puts the pressure on in the next round of collective bargaining.

• Creeping Prices—Businessmen see no sign vet of a let-up in the squeeze on prices from the strains on industrial capacity (BW—Nov.19'55,p25) and on steel and other raw materials (BW—Nov.5'55,p25). Many a manufacturer, like one California furniture-maker, feels "it's time our industry caught up."

They see the prices of the things they buy moving up on them. Since Nov. 1, there have been price rises in steel scrap, copper scrap, copper tubing, hides, lead scrap, some lines of petroleum products, print cloth, rubber, shellac, tin, wool tops, and other items. And they don't yet see the end in sight, despite the effort of the government to hold prices down.

Some manufacturers feel that they are overdue for a good boost in prices. From October, 1954, to October, 1955, the Labor Dept.'s index of wholesale prices of consumer durable goods moved up only 2.1%, and consumers' nondurables have increased only 0.8%. Meanwhile, the price index of supplies for manufacturing industry has risen 7.8%, and average weekly earnings in manufacturing industry have risen from \$72 to \$80, or more than 10%.

Hidden Extras—Up to now, manufacturers have been handling their cost rise without excessive difficulty—thanks to a terrific increase in volume. As they moved up to peak capacity levels, unit costs in most cases fell sufficiently to cancel out the rise in material and labor costs.

In many cases, also, manufacturers boosted prices in ways that don't readily show up in the price indexes. For instance, complained one manufacturer of batteries about his competitors, "They cut some of the guts out of the battery to keep the cost price down, then they strengthen the guarantee to make it sell." A skirt-maker said that when he boosted the price of his \$10.75 line to \$11.75, "instead of using white waistbands, we had the waistbands made in the individual skirt colors."

Some manufacturers have also been

getting their average prices up by discontinuing low-price lines, increasing high-price lines, or by introducing new "premium" products that carry the price burden of the rest of their output.

Others have taken the tack of increasingly mechanizing their operations to

hold costs down,

Champing—In a broad range of American manufacturing industry, BUSINESS WEEK reporters found manufacturers champing at the bit to cut out the talk

and raise prices.

This applies to shoes, textiles, clocks, electrical appliances, clothing, cotton textiles and hosiery, paper and packages, gypsum, rubber goods, furniture, kitchen appliances, power tools, and many other items where steel, copper, and other metals are important components.

The one big range of products where it did not apply was in food products, such as cake mixes and breakfast cereals, where the decline in cost of agricultural materials has taken the squeeze off the

price of the processed food.

• Volume Dilemma—A good number of manufacturers are still nervous about the possibility of spoiling their markets by boosting prices. One appliancemaker said that in his industry everybody "was pushing like mad for volume . . . and when the volume falls off, oh boy!"

Many a manufacturer is afraid of being caught with heavy inventories. A furniture-maker said: "Inventories are at a peak. If we had a lessening of demand, we'd have a lot too much furniture on our hands and would have to

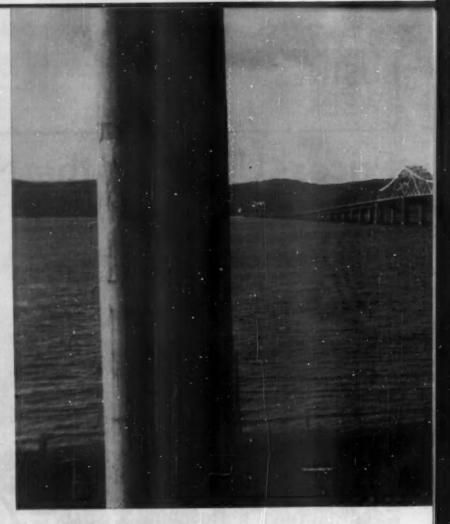
cut back operations."

There is the dilemma: If you're going to have to cut back operations—and if prices have to soften—is it better to push up your price now, to give you some margin to cut later when unit costs may rise at lower-volume operations—or will putting prices up now hasten the day when operations will have to be cut back?

 Competition—Doubts on this score are intensified by the pace of competition, which in some lines is augmented by the role of the discount houses. Here and there, you'll find a manufacturer who intends to use reverse strategy in this situation and cut

his prices.

But the price-cutters are the exception. Many manufacturers appear ready to go ahead with price boosts and take their chances. However, the ultimate consumer may not feel the impact of boosts in manufacturers' prices for some tune. As is happening in autos (BW—Dec.3'55,p25), some retailers may have to swallow boosts in manufacturers' prices, because they are selling in oversold markets where the pace of competition is murderous.



Taking the Thruway

On Thursday, Gov. Averell Harriman cut ribbons and pushed buttons to start traffic on a vital segment of the New York Thruway—the 28-mile section from Suffern to Yonkers that includes the Hudson River bridge (picture).

Previously, traffic entered or left the Thruway at Suffern, on the New York-New Jersey border 12 miles west of the Hudson. Now the expressway extends almost to the New York City line. The final 2.7 miles through Yonkers won't be finished till next summer, but traffic is being maintained on the avenue that the Thruway will displace.

Cars, buses, and trucks can now travel the Thruway for 424 miles from Yonkers to Buffalo, through a 20-mile belt that contains 80% of the state's population. The state's new "Main Street" is what Bertram D. Tallamy, chairman of the Thruway Authority, calls the new highway.

 More to Come—The 424-mile Thruway main line is literally only half the story. For every mile of four-lane or six-lane Thruway, the builders had to install another mile of interchange ramps, access roads, and relocated roads.

Besides, spurs are planned to tie in with other expressways in neighboring states. Under contract are the 70-mile Erie Section, from Buffalo to the Pennsylvania line; the 21-mile Niagara Section, from Buffalo to the Canadian border at Niagara Falls, and the 15-mile New England Section, from New York City's Bronx to the Connecticut line. Plans are just about complete for the Berkshire Section, from Albany to the Massachusetts line, including another, smaller Hudson River Bridge.

When all the spurs are in, the Thruway system will total 562 miles, at a cost estimated at \$962-million.

• The Bridge—The \$60-million bridge across the lower Hudson is the star in the Thruway's crown. At a separate toll (50¢ a ride, 40-trip monthly commutation at \$10), the bridge is expected in four or five years to carry as many vehicles per year as the whole upstate portion of the Thruway carried in 1955. It is also expected to feed more busi-



Over the Hudson River

ness into the rest of the Thruway by improving access to and from New York City.

As a motorist approaches New York City, his payment of the regular Thruway tolls of 1½ a mile will cease at Spring Valley, halfway between Suffern and the Hudson River. Then comes the bridge toll and, after that, a 10¢ fee at Tuckahoe, in Westchester.

• The Whys of It—As he drives 3.2 miles across the Hudson, rising to 139 feet over the ship channel, the motorist will wonder why the bridge was plunked down at this wide spot on the river. To the north and to the south, the bay that the Dutch named the Tappan Zee, closes in to a mile-wide valley, where a suspension bridge would seem logical.

The puzzled motorist won't see the invisible line that marks the boundary of Port of New York Authority jurisdiction. But the fact is that the new bridge lies only a few hundred feet outside that boundary (which marks a radius of about 25 miles from the Statue of Liberty).

According to official explanations, the new bridge could not be placed within the Port Authority limits without jeopardizing the interest of the George Washington bridge bondholders or without guarantees that would adversely affect the sale of Thruway bonds. Nor could it be moved to narrower parts of the Hudson farther north without adding to road mileage through expensive Westchester land and also bumping into mountain ranges.

into mountain ranges.

• Fancy Work—When a suspension span was ruled out, the Thruway Authority took up the idea of the long causeway and the double-cantilever span over the channel. The eight main piers of the central spans rest on huge caisons whose buoyancy in the river mud supports 70% of the dead load. These caisons, weighing up to 16,000 tons, were built in drydock, like ships.

Another construction trick was the assembly of most of the steelwork at a riverfront site 10 miles upstream. All of the steel deck sections except the cantilever part of the bridge were

floated down on barges and dropped into place, span by span.

 Name Delay—With all its challenges, the bridge seems to have been easier to build than to name. The Thruway Authority has been ducking an argument over what name should be officially adopted.

The two largest villages that are linked would like "Nyack-Tarrytown" or "Tarrytown-Nyack," depending on who's talking. Descendants of Washington Irving, who is buried in Tarrytown, and George Clinton, who led a Revolutionary War retreat across the Tappan Zee, are promoting those names. Some favor naming the bridge after Thomas E. Dewey or Dwight D. Eisenhower. Most people in practice call it the Tappan Zee Bridge or the Thruway Bridge.

Demurrer—Officials of two neighboring Rockland County villages were pointedly absent from Thursday's festivities. Grand View and Piermont are threatened with extinction by a proposed route connecting the Thruway with the New Jersey Tumpike, and their officials said it would be hypocrisy for them to join in the celebration.

Detroit Bids for Dealer Peace

Auto makers, goaded by fears of politics after Senate GM hearing, reconsider their dealer contracts.

But on the basic issue of dealer independence, neither side will budge.

Automobile makers in Detroit this week were taking time out to pore closely over high-piled reams of documents they have just pulled from their filing cabinets. It was time, they felt, for another look at their selling agreements with their dealers. In some cases it was a routine fresh look at the agreements. For instance, American Motors Corp.'s dealer agreements expire Dec. 31.

But most of the other auto makers were goaded by the uneasy feeling that major changes in the agreements might be in order. The reason: the backwash from the first public disclosure in history, before a Senate subcommittee, of the nature of the manufacturer-dealer contracts (BW-Dec.10'55,p25).

Testimony from the hearing room of the Senate Antitrust & Monopoly subcommittee may have left the auto makers feeling that it's politically imperative to make some gesture to the

• Potential Power—The auto makers could be right on the nail in their estimation of the dealers' potential political pull. The National Automobile Dealers' Assn. says there are 40,000 dealers, employing more than 700,000 people, and doing (last year) a \$37-billion business. That's a large enough group of small businessmen to set any congressman's eyes agleam.

Whatever changes might come, the lines of the basic clash between auto makers and dealers have been drawn. William F. Hufstader, GM's vice-president for distribution, is on the Senate subcommittee's record with his statement of exactly where the dealer fits into the manufacturer's viewpoint: "The manufacturer assumes the greater risks and bears the ultimate responsibility to the customer . . [He] creates the franchise in the first place . . . [He] must be in a position, based on his judgment—and his judgment alone—to retain a franchise, to grant it, or to withdraw it."

So the makers' view is that their selling agreements with dealers are onesided contracts, deliberately so.

 Counter Argument—And that is just what Frederick J. Bell, executive vicepresident of NADA, has been complaining about most loudly. By encouraging a parade of GM dealers and former dealers to the subcommittee's witness chair, NADA may have touched off moves toward legislation that would compel changes in manufacturer-dealer agreements. But just what kind of law could be framed to satisfy the dealers is uncertain even to the dealers themselves.

I. The Dealers' Case

GM's sudden switch last week from one-year to five-year dealer contracts took the company a little way toward meeting some of the dealers' criticisms. But it wasn't far enough to satisfy Bell and the dealers who share his views. They would like an indefinite-term contract, such as Chrysler and Ford now write with their dealers. They'd also like the contracts to state plainly the causes for which the factory can cancel the agreements.

As the contracts stand now, a "cause" is pretty much what an auto maker says it is. Generally, it is a dealer's inability, or unwillingness, to develop the market potential of his area.

This is the real nub of the auto dealers' complaints, for it involves closer manufacturers' supervision of retailers' affairs than you can find in almost any other factory-dealer relationship.

other factory-dealer relationship.

• Close Checks—Just how far this supervision goes was outlined at the Senate subcommittee hearings by Prof. Charles M. Hewitt, Jr., of Indiana University, who has made a study of automanufacturer-dealer relations. He said that a GM dealer must: (1) Maintain facilities satisfactory to the manufacturer, (2) not move or open a new lot without the GM's permission, (3) use an accounting system selected by GM, (4) buy tools specified by GM, (5) carry an "adequate" stock of parts and accessories, (6) contribute to a joint advertising fund.

GM dealers at the subcommittee hearing came up with a revelation about another potent force in the marketing of automobiles: the 10-day report. Dealers must file this report every month, covering the three 10-day periods of the month. It is supposed to tell the manufacturer enough about sales and inventories so that he can plan his production schedules intelligently.

· Big Stick-But one GM dealer, M. H.

Yager, of Albany, N. Y. (BW-Dec.10 '55,p26) said the 10-day report is being used to gauge a dealer's turnover against the number of cars the factory thinks he should be selling. If the figures on his 10-day report are too low, says Yager, his supply of new cars is cut off.

Normally a dealer orders his cars 30 days ahead, estimates his needs for the following 60 days. This enables the maker to order his materials on a 90-day schedule. Every manufacturer will tell you that a dealer gets no more cars than he orders. Most dealers will agree—but with a big qualification. They say the number of cars they order is not always the number they think they can sell. Each dealer is told what the factory reckops is his notential market.

tory reckons is his potential market.

• Bootlegging's Basis—This, say the dealers, leads to auto bootlegging-the sale of new cars to unfranchised dealers. Often, they explain, a dealer cannot sell the number of cars his factory believes he should sell. So he turns the excess autos over to a bootlegger. Such pressure from the factories, they add, can also lead to the breakdown of a dealer's territorial security, when an unscrupulous dealer in neighboring territory sells his cars outside his regular area. To counter these troubles, the dealers want laws permitting auto makers to write into the manufacturer-dealer contracts clauses that forbid retailing new cars (1) outside defined areas, and (2) for resale.

II. The Makers Speak

The makers' case was set forth most clearly last week by Hufstader. To begin with, he said, the auto dealer is like no other retailer. He's not a truly independent businessman, nor is he an agent. Yet in his community, the auto dealer is looked upon as the manufacturer's representative. And this, Hufstader implied, involves the manufacturer directly in the way the dealer runs his business.

There's a deeper issue, too. Consumers generally buy a particular brand of car not because of the dealer's reputation, but because of the manufacturer's reputation and advertising.

turer's reputation and advertising.

Any factory man will tell you, when you pin him down, that he's simply afraid to leave sales solely in the dealers' hands. A dealer, he'll say, will sell enough to make a comfortable living, with enough profit left over to invest in real estate or oil wells.

That's not good enough for Detroit. There have been few times when dealers have agreed with manufacturers on a forecast of annual sales. The factory's forecast is generally higher-but it's also generally met.

III. Who Should Sell Cars?

In all the mass of testimony on dealer contracts that the subcommittee gathered, one word seldom appeared. It is: "Exclusive." Neither dealers nor manufacturers want, at this point, to squabble over the exclusive nature of their sales agreement. Both will tell you that it is the basis of the entire automobile franchise system.

• Unwritten Rules—For many years, there has been nothing in a franchise agreement to prevent a dealer handling a competitive make of car. In fact, there are isolated cases of dealers who do handle competing makes. But the selling agreement binds a dealer to develop sales of the manufacturer's car to the best of his ability. He can't do that with divided loyalty.

The auto maker implies in the selling agreement that he will protect his dealer from "family" competition, so long as he lives up to the factory's projection of sales.

Hufstader and other factory officials have frequently pointed out that despite a doubling of the car market since prewar, the number of dealers has not increased. In fact, there are fewer GM dealers now than in 1940.

So, there's an aggrieved air to a factory executive's reply when a dealer complains that he's being asked to sell too many cars. In such a conversation there's always the knowledge, in both men's minds, that if necessary the factory will set up more dealers. Neither man wants that. The factory would rather work with a man who already has business standing in his area. The dealer certainly doesn't want competition in his own make of car.

 Who's the Culprit?—It's this solid foundation of exclusive dealing that lies behind all the damning of auto bootlegging. But most factory men feel legislation is no cure for bootlegging.

Auto bootlegging, they say, is caused by some dealers who deliberately over-order, then sell the excess cars.

 Nutshell Defense—A Ford executive who probably has given the problem as much thought as anyone in the industry says the only real solution lies right in the hands of the franchised dealers.

"Nobody can buy a new car cheaper than the franchised dealer," he says. "So how on earth can anyone sell the car any cheaper? That's why we simply have to make our dealers efficient businessmen. Then, they can supply the cars that the customers obviously want, and at prices that no used car dealer can beat."

Rescue Operation on Turbines

Electrical manufacturers, called on to build larger and larger, more and more powerful turbine-generators, have been in a dither for some months over the threatened cutoff of a vital supply source. The Midvale Co., a leading U.S. producer of large shafts for steam-electric turbines and generators, was preparing to get out of the business. This week, three big electrical companies—General Electric, Westinghouse, and Allis-Chalmers—joined in a deal to keep the supply flowing.

Midvale, an old Philadelphia ordnance and forging manufacturer, is one of only four U.S. producers of the big shafts. The others are U.S. Steel, Bethlehem Steel, and Erie Forge & Steel Corp.—but Erie doesn't make the very largest shafts.

 Squeeze—Midvale has for some time been planning to get out of the steel business and turn itself into an investment and management company. It lost one good market, for locomotive tires and rings, as railroads dieselized.
 Its top men, getting along in years, wanted something steadier.

For these and other reasons, a change looked good to them. But it looked bad to the electrical manufacturers.

The other three producers might take up the slack if it weren't for some limiting factors that make it hard to step up production. Large shafts are difficult to make; rejections run to 20% or more, but in most cases it's three to four months before the rejection stage can be reached.

Solution—This week's deal—subject to Midvale stockholder approval on Dec. 21—would keep Midvale's facilities

at work, and its own people happy.

Under the deal, Pittsburgh's Heppenstall Co.—maker of die blocks, shear knives, and other metalworking equipment—will pay \$6.1-million for Midvale's non-cash assets and name. The three electrical manufacturers will put up about three-fourths of this sum; GE and Westinghouse each pledge to buy \$2-million of preferred stock in a new company to be called Midvale-Heppenstall Co., and Allis-Chalmers \$500,000. Heppenstall will hold the common stock in the new company.

Midvale, minus its name, will then become an investment and management company to be known as General Industrial Enterprises, Inc. Besides the \$6.1-million from Heppenstall, it will have cash, securities, and receivables of almost \$6.3-million-plus some valuable tax benefits that will eliminate federal income taxes for 1955 and give it a carryforward of \$2.7-million.

Hunting Riches

Cyanamid plans to purchase Formica Co., and dig into lucrative consumer markets.

Another big chemical company is preparing to dig much deeper into the lucrative consumer markets.

It's American Cyanamid Co., a widely diversified, \$400-million-a-year outfit. This week, it revealed it is seriously negotiating to buy Formica Co., Cincinnati.

• Joining Others—If the deal goes through, it will represent a major step in Cyanamid's drive for consumer customers. Until a few years ago, the company was committed largely to providing basic chemicals for secondary markets. Now, Cyanamid, like Dow and Monsanto (BW—May7'55,p46), is out to broaden its markets.

In Formica, it will pick up a company with growing sales. Last year, sales were \$28.8-million; for the first nine months of 1955 they were \$26.6-million. In 1954, net profit was \$1.9-million; this year, the nine-month profits are \$2.1-million.

Despite this robust financial health, the major stockholders—families of founders D. J. O'Conor, Sr., and H. A. Faber—apparently have been seeking ways to diversify their investments. The proposed deal, probably in the form of an exchange of stock, would offer Fornica holders the kind of diversification they want. No details of financial arrangements have been released. But on the day negotiations were announced, Formica common was selling on the Cincinnati Stock Exchange at \$115, against a high of \$504 in 1954. Cyanamid common is quoted at about \$65 on the Big Board.

 Fresh Markets—Officials of Cyanamid consider the Formica purchase, if successful, the first important move toward diversifying markets as well as products.

The company already serves the farm market with brand-name agricultural chemicals. In addition, its Lederle Laboratories Div. makes a host of chemical drugs and antibiotics that are sold through druggists by prescription.

Now, the company wants to go even further. This is evident both in the Formica negotiations, and for the reasons that Cyanamid (1) is closer than ever to marketing a synthetic fiber (Creslan) all its own, instead of merely producing basic textile chemicals, and (2) has launched an advertising and promotion campaign aimed at the consumer markets boosting the intermediate products it sells to other manufacturers for their end-products.



"It's just like the week before Christmas. You'd never think it was two weeks away."



EAST: Not only shoppers and clerks



OR WEST: Hmm . . . Just hankies?

It's Fast, It's

Take 165-million Americans with fatter-than-ever pocketbooks to dip into, well-stocked stores hot on the trail of new sales records, and a Christmas season that jumped the starting gun (BW –Nov.26'55,p42)—and scenes like those in the pictures are only a mild sample of the frenzied moments that are popping out in stores from Los Angeles to staid Boston.

The "biggest Christmas ever"-for that designation is now firmly imprinted on Santa Claus's aching back—is hurtling toward its climax amid such incidents as these, encountered by BUSINESS WEEK reporters:

• Soaring above the hubbub of a big Dallas department store last week there rose a heart-rending feminine scream. Its author, calming down in the store infirmary a few minutes later, explained: "I was shopping and I just got to thinking how much I had to do and how many things I had to buy and everything. And I got panicky."

• In Atlanta, a harried shirt buyer was in the fingernail-chewing stage, sitting beside his long distance phone. On the corner of his desk was a stack of mail orders for a certain cotton-flannel shirt that had suddenly become "hot." He already had calls in to cities







get aching feet, buzzing heads; it gets the kids, even the manikins.







or mink-trimmed gloves? or a Martini set, with spray bottle for vermouth?

Frantic, It's 1955's Xmas

in Virginia, North Carolina, Tennessee —but so far no shirts to meet the unexpected stream of orders.

 In Nashville, a store bought a \$350 merry-go-round to entertain the children, only to have a customer beg to buy it—on a budget charge account.

 In Houston, gold-flecked ladies' gloves at \$45 a pair are sold out, and rhinestone-spattered stockings are going fast.

 In Salt Lake City, a salesgirl quit because "I'm just not going to argue with customers who saw that doll stroller in our mailer and now there aren't any more."

• Texas Tales—Merchants attribute some of the fast buving to heavy pushing of credit sales this year. The usual promotions and sales gimmicks are doing their part—with some new ideas thrown in. One swank Boston women's store finds its cocktail lounge for men only is selling a lot of cashmere sweaters and \$100 blouses.

Of course, when you start on the tall tales, you have to get to Texas sooner or later. A Christmas gift night for men only isn't a new gimmick in that state—or elsewhere—but such affairs don't usually end up in a frantic search for nine missing mink coats.

It was at Neiman-Marcus' Houston store that the mink coats got into the picture this year. At the Christmas gift night for men, nine models walked onto a runway with full-length mink coats over bathing suits. After their modeling stint, they took off the coats and threw them in the audience. Plainclothes detectives were supposed to catch the coats and return them, but someone forgot to tell them where to stand.

After some fast footwork, the store men repossessed eight of the minks. It wasn't until later that they found the ninth neatly folded in the lap of a little old man still watching the show.

• Problems—Finding enough extra help to keep up with the rush of customers is a headache for most stores. One Milwaukee store head laments that "we've been able to keep only about 65% of the people we could use." The shortage is creating some problems for customers, too.

Take the hospital that protests it doesn't need the 2½-ton hoists it got instead of the baby scales it ordered—its babies aren't that heavy yet.

 Novelties—Some stores that report a big boost in sales say it's coming not so much from an increase in the numbers of customers as from upgrading of purchases. Says a Nashville clerk: "They're buying more of everything and higherpriced things than I can ever rememher."

Stores are making a bid to cash in on this urge for better things and more luxurious living by offering some fantastic trimmings. Naturally, you would expect the gold-flecked gloves and mink-trimmed women's garters to go over in Houston. And liquor-flavored toothpaste would pull anywhere.

But it takes the 1955 trend to the gaudy and the gorgeous to sell five mammoth stuffed tigers at \$79.95 apiece in one Washington (D. C.) drugstore, to put over in San Francisco such items as rhinestone-studded bottle-openers, and to make New York's long-established Abraham & Straus, in Brooklyn, splurge on a full-page ad depicting odd items such as bald-head hair brushes, left-handed scissors, squirrel calls, and musical bracelets.

• Solid, Too-But even in booming 1955, the Christmas season isn't all froth and frenzy-far from it. The fact that the stores ordered earlier and shopping got started sooner is helping to keep things in bounds. A lot of reports read like this one from Chicago: "Christmas selling is running smoothly despite increazed traffic and sales in retail stores." Or this one on a Pittsburgh store: "Not a mob scene at any timerather, consistent and orderly buying." Reports of store buyers hectically seeking replacements are only scattered.

Heaviest buying in general is "on the high side of the middle-priced lines." Estimates of the boost in sales over last year vary from 0.6% for Boston as a whole to 4% for the St. Louis area, 20% for a Nashville store, and 31% for one Boston suburban outlet.

Though the increases are general throughout the country, there are also minority reports. The Federal Reserve Bank in New York puts dollar volume for the New York and Brooklyn stores in the week ended Dec. 10 at 2% below the same week a year ago. From

Omaha, in the Farm Belt, the word is that "the most fantastic thing about Christmas shopping is the efforts of merchants to get people to buy."

merchants to get people to buy."

More typical is the comment that while there's little frantic or hysterical buying, "the store is full all the time" (Salt Lake City), or "we couldn't have survived the crowds if we hadn't enlarged the aisles" (Toronto).

How the White House Looks at '56

Blueprints of the Administration's economic program for 1956 are just about ready for final approval. This week the White House sketched plans at its annual briefing for Congressional leaders. They are based on two assumptions:

 Economic activity next year will reach new high levels.

• But 1956 ought not to show as swift a rise as 1955 did.

The economic program is not only based on these assumptions but is also designed to see that things work out that way.

The Republican visitors at the White House got the full Administration program presented in general, plus a spell-out on four or five points. But a lot of details are still to be worked out for the State of the Union message. The Democrats were given a briefing confined to defense spending and foreign policy.

• Quiet Optimism—With business booming as this year ends, the momentum is bound to carry into early 1956. So the problem, as the Administration sees it, is not how to stimulate business any further but rather how to maintain the present high level through next year.

Election or no election, most officials with a voice in economic policy agree that next year's growth should be much more gradual than this year's 9%-plus gain in gross national product. They would like to see a rise of 3% to 5%. Such a gain would put the annual rate of GNP above \$400-billion and would keep the country moving solidly toward a \$500-billion economy by 1965, without risking instability.

Two-Way Approach—The Administration is blueprinting two approaches:

 A series of long-range proposals to help the total economy to keep up a steady rate of growth, and

Other measures with both immediate and long-term effect to bolster the weaker parts of the economy.

• Long-Range—The Administration sees no immediate need for legislation to spur the economy as a whole. In fact, the Treasury and the Federal Reserve are concerned that businessmen may go into the new year with too much exuberance. With the economy

pressing against the limits of capacity (BW-Nov.19'55,p25), any further push might mean an outbreak of inflation.

That's why the Administration, in briefing Congress, played down talk of a tax cut. This doesn't rule out a tax cut later, but the decision is to be post-poned until a budget surplus is certain. Only an improbable sudden nose-dive in the economy would bring an earlier decision.

Meanwhile, the Administration will rely on its indirect monetary and fiscal policies to keep the economy growing without inflation. The budget is designed to act as a stabilizing force, with rises in spending for defense, farm aid, and public works to be balanced largely by the added revenues that come from a business boom.

But it may be difficult to keep expenditures from rising faster than revenues. Pres. Eisenhower himself raised the defense budget to \$35.2-billion, \$700-million above earlier estimates. This hike is due to an increased emphasis on scientific weapons, which require higher equipment and operation costs. In addition. Congress is almost sure to be liberal in deciding on new farm appropriations. And the Administration may be forced to ask for extra cconomic aid to be ticketed to the underdeveloped countries of Asia and the Middle East.

 Public Works—As a foundation for sustained economic growth, a long-term program of public works will be offered, including:

• A 10-year highway construction program on a pay-as-you-go basis, financed by new taxes on fuel, tires, and trucks. Highways will have high priority in the legislative program. House Democratic leaders agree with the pay-as-you-go principle, though not with the utter firmness Treasury Secy. George Humphrey feels.

• A plan to aid school construction with grants to districts that initiate spending programs. This is in line with Eisenhower's partnership principle. Marion Folsom, Secretary of Health, Education & Welfare, urged a big long-term school building program costing in the neighborhood of \$400-million to \$500-million a year. But the Eisen-

hower cabinet slashed his program to \$40-million or \$50-million for 1956.

 Other public works projects to be kept always ready, by appropriation of planning money, but continually revised in the light of changing conditions.

 Rescue Acts—To shore up the sagging elements of the economy, the Administration wants action on:

Agriculture. No reversal of the current decline in farm income is in sight, and the Administration plans legislation to pump cash into the farmers' hands. It will be a package deal, featuring the soil bank scheme. Farmers will be paid to take acreage out of production of price-supported crops such as cotton, corn, wheat, soybeans, peanuts. They will also be paid rent for putting the acreage into grass.

acreage into grass.

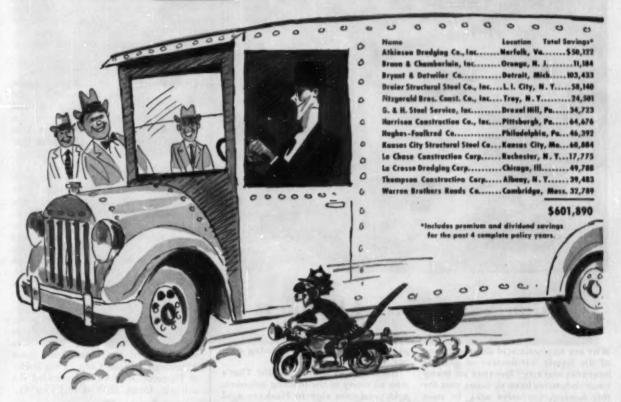
There will be incentives for surplus disposal at home and abroad, and perhaps some sort of credit scheme. This big program is sure to mean several hundred million dollars in new funds next year.

Housing. This is seen as an area for administrative action rather than legislation. People in Washington are growing pessimistic about the 1956 outlook. November figures on housing starts were down from the earlier 1955 peak and well below the same period a year ago (page 17). This week, the Federal Home Loan Bank Board partially reopened the lines of credit to member associations that it had closed in September. If the decline in housing starts continues, the Federal Housing Administration and the Veterans Administration may be allowed to relax terms on the mortgages they insure.

As in other sectors of the economy, however, the Federal Reserve will have the last word on credit. Even if FHA and VA ease mortgage terms, the Fed will still control the cost and supply of credit in general.

Distressed areas. The federal government will offer funds to match those of state and local bodies in a domestic "Point 4" program to rehabilitate the areas that chronically lag behind the rest of the nation. It will also propose a flood control plan for the Northeast and a plan for disaster insurance.

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BUSINESS BRIEFS

That gold-plated Cadillac is for rent now. At least, a Miami Beach car rental service boasts that it's offering cars with gold-plated exterior accessories.

Whose Seiberling? A group headed by Edward Lamb, wealthy Toledo lawyer, has bought more than 100,000 shares of Seiberling Rubber Co. Guessing in Akron is that Lamb will seek full control of the company, which has 391,430 shares outstanding.

The meatiest city: Omaha announces that it has overtaken Chicago as the world's largest livestock market and meat-packing center. Figures for the first nine months of 1955 show that Omaha received 6,099,642 head of livestock, against Chicago's 5,710,616.

The economic picture, seen through various rosy glasses: Business in 1956 should top this year's, though the rate of growth will be slower, says a U.S. Chamber of Commerce symposium. ... Personal income in October hit a record annual rate of \$309.6-billion, says the Commerce Dept. . . . Cotton cloth profits should be better next year, trade sources opine.

Diamond T Motor Car Co. will not be sold to White Motor Co. Backers of the sale failed to get the two-thirds majority of Diamond T stockholder votes required by Illinois law. Bohn Aluminum & Brass Corp., a big holder of Diamond T stock, spearheaded the anti-sale forces (BW-Dec.3'55,p34).

Dec. 1 cotton estimates by the Agriculture Dept. put the 1955 crop at 14.6-million bales, or 2-million bales more than the Aug. 1 estimate. The heavy crop-13% above the 10-year average in 1944-1953-is expected to boost the surplus to 15-million bales when the cotton year ends in July.

The electronics industry in Los Angeles plans to put on more muscle. Hughes Aircraft Co. bought an old Nash assembly plant, for electronics manufacture. Ramo-Wooldridge Corp. (BW-Jan.15'55,p66) has taken option on 800 acres for a future plant.

A \$1.5-billion expansion, spread over five years, is planned by the Texas Co.; \$325-million will be spent next year.

The Pepsi-Cola account, recently lost by Biow-Beim-Toigo, has landed at another Manhattan advertising agency, Kenyon & Eckhardt. It's worth about \$8-million a year in billings.



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America's school buses carry especially precious cargo. That's why their designers and manufacturers place great emphasis on all details pertaining to passenger safety. Safe, non-slip flooring is one of the essentials.

To anchor floor matting to the steel floors of their school buses—and to keep it anchored, smooth and "trip-free"—many bus manufacturers have standardized on a 3M rubber-based adhesive. They chose it for safer floors . . . and because they need fast application and a quick, strong, lasting bond that will stand up under vibration, tempera-

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See what adhesives can do for you...

3M's rubber-based adhesives provide a swift, low-cost way of joining a variety of materials. Other 3M adhesives, coatings and sealers have been created to do very specific jobs in just about every industry you can name. Like to see some more examples of what other companies are doing with 3M products? Call in your nearest 3M Field Engineer. Or, for more detailed facts on 3M products serving industry today—write to 3M, Dept. 112, 417 Piquette Avenue, Detroit 2, Mich.

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WASHINGTON OUTLOOK

WASHINGTON BUREAU DEC. 17, 1955



A full work load for Pres. Eisenhower is weeks off-maybe even months.

That's the Washington reaction to the latest reports by the doctors who keep a daily tab on the President's recovery. There's disappointment. The hope, of course, had been that the experiment of increasing activity at Gettysburg would pan out. Instead, it showed the President fatigued.

Hopes for a second-term race will still be raised. The GOP leaders in Congress expressed optimism after seeing Eisenhower this week. But this looks more and more like wishful thinking—goes against the odds.

Concress will get two legislative programs. Developments during the week leave no doubt about this.

Eisenhower will propose one. He went over his plans, both foreign and domestic, with his own party leaders (page 34). Then he called the Democrats in to hear the foreign policy and defense angles. The effort for bipartisanship is limited to these two fields—foreign and defense.

The Democrats will have their own program. They will offer alternative plans on all major domestic issues. And even on foreign policy and defense plans there's no guarantee of a political get-together.

Both parties will be setting the stage for next year's elections, when the prize will be both control of Congress and the White House. At the start of the struggle, Democratic leaders in Congress have the advantage. Speaker Sam Rayburn and Senate Leader Lyndon Johnson are for a "moderation" program, and they have the man, in Adlai Stevenson, to back it on the stump. Republicans have Eisenhower to lean on, but without knowing whether he will run. With the uncertainty, individual Republicans will be inclined to do what they think will help most in their own states and districts.

Taxes will become more involved in the political play. As of now, some Democratic leaders, including Rayburn, are inclined to let the issue rest until spring, when the receipts-spending picture will come into better focus. But Rayburn may not control.

The Administration position is to defer a tax cut decision for a few more months. Not only will it have a better budget picture, but it will have a better feel of the future business trend. If the trend is down, a cut will be backed.

The Democrats have a plan for an individual income tax cut, regardless of the budget and business outlooks. You saw Rayburn's comments on removing tax inequities. If you read them carefully, it's hard to escape the conclusion that Rayburn will plunk for an individual tax cut, then make up the loss by higher taxes on business. When Rayburn talked about inequities he had in mind the relief Eisenhower granted dividend income and depreciation in the 1954 law. Rayburn would withdraw this, to pay for a 1956 income tax cut.

Agriculture Secy. Exra T. Benson's plans for farmers face tough going. Benson is standing by his theme of flexible farm price supports. But he's giving in on "fringe" issues, which GOP politicians say they need for votes.

The concession is subsidies to control production—direct payments to those farmers who take acres out of surplus crops, plus payments to help put these acres into grass.

Watch for cattlemen opposition. Cattle prices haven't taken the beating

WASHINGTON OUTLOOK (Continued)

WASHINGTON BUREAU DEC. 17, 1955

that hog prices have this year. But they are depressed. And there's a fear that the Benson plan will encourage cattle production and thus guarantee low cattle prices for years to come.

Democrats figure they are sitting pretty on the farm issue. They are willing to buy much of Benson's subsidy scheme. After all, it isn't much different from what the Democrats have backed in the past, including the old Brannan plan, which the GOP rejected. But they will insist on a return to high rigid price props, 90% of parity. Their argument is that the farmers, especially the smaller farmers, will take production control but only in return for high market props.

A domestic Point 4 program, for depressed areas:

Elsenhower originated this idea and will back it in his messages to Congress next month. Idea is to help areas that have failed to share in the boom to climb aboard. Loans and technical assistance are involved.

Democrats will climb aboard. Their own plans aren't firm as yet. But the general idea is to outdo the White House.

Democrats have their own social security plans. What they want is to reduce the retirement age for women and extend coverage to all groups that are still outside this law. Eisenhower plans don't go this far. But officials recognize the Democratic appeal. The lower retirement age for women would be a first step toward a lower retirement age for everyone.

Defense spending won't be much of an issue. The Administration stand is that this fiscal year's \$34.5-billion level should be maintained, and maybe even increased some. The Democratic leaders seem inclined to buy this, especially in view of the fact that the Air Force, including missiles, will get a bigger share than in the past.

Behind this is the so-called Geneva failure. Russia is toughening up again. But the Democrats are limited on making political hay out of foreign affairs. After all, it was Sen. Walter George, who heads the Foreign Affairs Committee, who persuaded Eisenhower that he should go to the first Geneva talks.

Federal aid to school construction is in doubt. Both parties want it and talk it up. But integration may block action, as it did this year.

More money will be voted for highways. But prospects favor a boost in present year by year federal grants, if the pay-as-you-go long range plan gets bogged down again, as may well happen.

Home building will be an issue. The push from the Democratic side will be for easier credit, plus more for public housing.

On flood damage, both sides want a federal aid program, based on government-backed insurance. The fight will be on who offers most.

It all adds up to a rough session of Congress. Final actions will be a business influence. But as of now, there's no sign that the Democrats will use their majority position to force anti-business legislation. And Eisenhower policies will be keyed to the idea of maintaining the "favorable climate." But the real play will come after Congress adjourns, when the parties pick candidates. This usually is unsettling to business.



Reaching for the moon

Once it meant the impossible . . .

today it's a progress report on scientific research

WHO DARES call anything impossible today? Not when research scientists are constantly seeking and finding new wonders to improve the way you live.

ONLY A DREAM YESTERDAY... reality today. A generation ago, Union Carbide scientists began taking oil and natural gas apart and putting the pieces together again in ways unknown to nature.

The result? A steady stream of entirely new chemicals . . . an average of one a month for the past 25 years. The benefits of these petroleum chemicals are everywhere—man-made textile fibers, amazing plastics, life-saving wonder drugs, enduring paints and enamels . . . the list is endless.

NOT ONLY CHEMISTRY has felt the touch of Union Carbide research. Alloying metals that make possible

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AND THE MOON? The work of Union Carbide scientists in new metals such as titanium, in rocket fuels, and in the beneficial uses of atomic energy, is helping man reach in that direction, too.

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creative engineering in packaging Graphic design makes the big difference between a carton that carries your product and one that sells it.

At Cair we make sure our designers look past their chalks and watercolors to the cash register that hands down final judgment on any carton's graphic design.

Our way of making sure is Gair Package Analysis*. This study of your market, distribution and product gives Gair artists a line on the kind of graphic design that rings a bell with your customers.

Any good carton designer can make color do tricks on paperboard. But a Gair graphic designer knows which tricks pay off.

*Gair Package Analysis is a service designed to uncover the requirements of a successful carton for your product and your market. One of our men will be happy to give you the whole story.

FOLDING CARTONS . SHIPPING CONTAINERS PAPERBOARD . KRAFT BAGS AND WRAPPINGS

ROBERT GAIR COMPANY, INC. 155 EAST 44TH STREET NEW YORK 17, N.Y.

In Marketing

Antitrusters Renew Battle After FTC Fair Trade Rebuff

Justice Dept. has renewed its fight to ban "fair trade" pricing by manufacturers who also sell their own products through wholly owned wholesaler or retail outlets. The U.S. Supreme Court has agreed to review a lower court's dismissal of the government's antitrust charges against McKesson & Robbins, Inc., drug manufacturer and the nation's largest drug wholesaler.

The antitrusters argue that the federal fair trade laws do not permit a manufacturer-wholesaler to set minimum wholesale prices on his products sold to other whole-

In the Eastman Kodak Co. case early this year, the Federal Trade Commission ruled just the opposite (BW -Jan.14'55,p62). FTC dismissed the case on the grounds that, in setting resale prices with its retailers, Eastman was acting as a manufacturer. In other words, its contracts were vertical, not horizontal; and under the fair trade laws, they were consequently exempt from the antitrust price-fixing bans.

Santa Claus Business Booms In Spite of Lack of Newspaper Ads

Even the newspaper strike, which started Dec. 1, failed to make a dent in the Christmas sales of Detroit stores.

In the first week of the strike, according to Federal Reserve Bank figures, department store sales were 9% ahead of the same week a year ago. Detroit merchants say that at this season shoppers visit the stores regard-

less of advertising.

To fill the newspaper gap, two of the largest department stores are passing out handbills at their entrances, and radio and TV retail advertising has taken an upswing, although no one seems to have figures. For most of the stores, it is their first experience with these media, and most say they are agreeably surprised at the response. Some of the smaller shops are printing lists of special items for their employees to pass out to friends.

The biggest beneficiary of the strike is the Detroit Shopping News, which normally publishes a 32-page paper twice weekly during the Christmas shopping season. This year, it has had to put out three papers a week. Also sharing in the boom is the Polish Daily News, published in Hamtramck, a city completely surrounded by Detroit

The strike has produced a new advertising medium-The Detroit Reporter-published by laid-off employees of the struck papers. But the Reporter has not been able to tap the big stores, which don't want to give the

appearance of supporting the strike.

MORE NEWS ABOUT MARKETING ON:

p. 46 . . How the Flexible Flyer has held up in a jet-propelled age.

p. 52 . . Is there really a one-price system?

All this activity to replace the normal advertising media is due to a strike cause unprecedented on daily newspapers. Detroit papers are using more and more color in ads and editorial material-which requires extra work on the part of the stereotypers. To them, the color work was an added burden in an already full day. When their contract came up for renewal-it expired Nov. 30-they asked that the color preparation be done on overtime and paid for at overtime rates, or that extra men be put on to do the work. When the publishers balked, 116 stereotypers walked out. It was impossible to print without them, so the three papers laid off their other employees, with the exception of the Detroit News, which retained its nonunion editorial, advertising, and office workers.

Within 48 hours, the Detroit Council of the American Newspaper Guild and the Detroit Allied Printing Trades Council had 100,000 copies of the Detroit Reporter on the streets. Within a week, the new paper was in the black and was talking about putting its

voluntary employees on salaries.

Chances of the regular papers resuming publication in time to get much of the department store Christmas advertising look dim.

In Two Cities, All Good Men Come to the Aid of the Team

Professional sports have been ailing in many cities (BW-Oct.15'55,p136). Now, in Syracuse and Buffalo, N. Y., it looks as though civic pride is coming to the rescue.

In Syracuse, the International League baseball franchise was at stake. Miami interests had been pressing for it, offered owner Martin Haske \$100,000. Haske was willing to keep the team in Syracuse if the town would guarantee \$55,000 to pay for the franchise.

Mayor Donald Mead's civic baseball committee got 400 fans to kick in the last \$20,000 needed-minutes before last Thursday's deadline. Now a new community corporation will issue stock to raise about \$100,000 more for equipment. (The \$55,000 will go into stock, too.)

In Buffalo, food stores are selling stock at \$1 a share in the now community-owned Buffalo Bisons baseball

Rumors that the Detroit Tigers, who had owned the Bisons, were planning to get rid of them, started local action. A sports editor and two baseball veterans got a 30-day option to buy the franchise for \$150,000. At deadline, a civic committee was \$70,000 short-but a group of bankers and industrialists pledged the sum needed.

For a lower lifetime window cost ...



Specify these steel windows with TWO protective coatings!

These windows are stronger, because they're made from solid bar steel sections. And this extra strength is permanently preserved by an exclusive double protective coating. First, Super Hot-Dip Galvanizing, done in Fenestra's own special plant, using electronic controls, alloys a thick zinc coating with the steel. Then a process called Bonderizing adds a nonmetallic coating over the zinc. Result-a window installation with a lower lifetime cost than has ever before been possible! Even the initial cost of this modern, durable finish is as little as the cost of two

inside-outside field coats of paint.

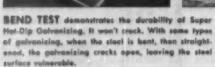
For complete information, contact your local Fenestra* representative. He's listed in the yellow pages of your phone book. Or write for our free booklet on Fenestra Super Hot-Dip Galvanizing and Bonderizing. Detroit Steel Products Co., Dept. BW-12, 3425 Griffin Street, Detroit 11, Mich.

Fenestra

INDUSTRIAL STEEL WINDOWS

Accelerational and Residential Windows Motal Building Panals • Electrifloor® • Boof Deck Mollow Metal Suring and Silde Doors







ANOTHER INSTALLATION of Fenestra Super Hot-Dip Gebronized Industrici Steel Windows, Hytron Midwest Plant, Kalemazoo, Michigen. Contracter, Miller-Davis Company, Kalemazeo.

No Pig in a Poke

National Bonded Cars' warranty guarantees customer that the used car he buys will run for a year.

The steady pressure on car dealers to sell new cars poses a problem in the used car field. Since most new car deals involve a trade-in, the dealer needs to sell the used car. The consumer, for his part, wants desperately to know when he buys a used car that he isn't

getting a lemon.

National Bonded Cars, Inc., of Union, N. J., thinks it has an answer. This is a guarantee that used cars carrying its seal of approval will run for one year free of mechanical defects. Specifically, the guarantee covers motor, rear axle, transmission, clutch, steering, and brake system. If defects show in that period, the repair bill is covered by an insurance policy held by National Bonded Cars, the consumer doesn't have to pay.

Harry S. Campbell, real estate man, and C. Wesley Milburn, one-time car dealer, set up their plan early in 1954. They moved slowly at first. But in the last few months their business has been snowballing. Last week they opened up operations in New York, California,

Oregon, and Washington.

• Pre-Check—The crux of their plan is the inspectors, who are employed by the company's franchised district managers. Every car that is to get National Bonded Cars' warranty is checked thoroughly by these inspectors, who tell the dealers what the car requires, if anything, to get the warranty. The dealers pays \$35 a car for each inspection. This he reclaims by tacking on whatever price he wants—perhaps \$50—to his price when he sells.

A car that is so bonded can get repairs anywhere in the country. The owner simply calls either the district manager or the headquarters, tells him what the repair bill will be, and the check to cover goes out (labor rates are those of Chilton's Manual, the stand-

ard for the industry).

Coverage—To protect itself, the company franchises only new car dealers, not used car lots. Its coverage will go back only five model years (thus, with the 1956 models out, it won't test anything earlier than a 1951 car).

Figures change daily, but as of last week National Bonded Cars had franchised district managers operating in 18 states plus the District of Columbia. It had around 1,000 franchised dealers and some 100 inspectors. About 40,000 cars on the road carry its warranty, and another 10,000-odd are awaiting sale. END

PAY-OFF PRICE ONLY 27 CENTS PER HOUR...

when you put this new 71/2 hp No. 3 Model CE plain milling machine to work in your plant with ...

Kearney & Trecker

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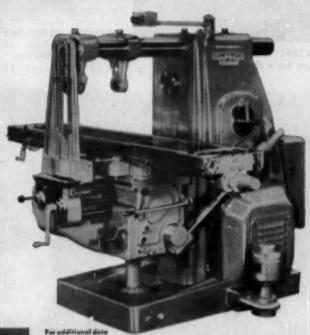
ROGRAM

T's true! Under Tool-Lease you can lease this new 7½ hp No. 3 Model CE plain milling machine for only 27 cents per hour. This Model CE is Kearney & Trecker's answer to industry's need for a milling machine that combines quality and low initial cost with efficiency, ease and economy of operation.

Under Plan "A," one of three possible lease agreements, you make two semi-annual payments, totaling 25% of the machine's price during each of the first three years. And only 10% during each of the last four years.

What's more, under Tool-Lease you can rent any of over 250 different types and sizes of standard milling machines or precision boring machines. All are available under three basic plans, with varying options to continue or terminate the lease, or to purchase the equipment. If you require special machinery or heavy-duty CSM bed types, special agreements will be considered.

For complete information on Tool-Lease, see your Kearney & Trecker representative or mail coupon to Kearney & Trecker Corp., 6784 W. National Avenue, Milwaukee 14, Wisconsin.





Febricated Metal Products Indústry — Includes machines for hand tools; hardware; oil burners; structural steel; boilers, sheet-metal, enameled, stamped and pressed metal products; powder metallurgy; wirework; screw-machine products; metallurgy; wirework; screw-machine products; metal specialties, games, toys, jewelry, and sporting goods. Of the total 20,583 machines, 18% are over 20 years old and over 36% are 10 to 20 years old.

Machines 18-30 years of which should probably be replaced.	d, Machines less than 10 years old
114 00W	ATA
39.79	4/70

5143 vertical milling machines 9573 knee type horizontal milling machines

thines ever 20 years old, hich should definitely be replaced.

3987 automatic and manufac-turing type milling machines

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Figures adapted from 1953 American Machinist survey of Metalwarking Industry,

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KEARNEY & TRECKER CORP. 6784 W. National Ave., Milwaukee 14, Wis. Please send me Bulletin TL-10A on Tool-Lease Program and bookiet titled "Critical Picture of Creeping Obsoles- cence."	Same States Seed As and Decision of the Seed As and Decision of the Seed As and Decision of the Seed As and Decisi
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LATEST MODEL of S. L. Allen's Flexible Flyer has a chrome bumper (above).

A Downhill Business

Upward of 500,000 sleds will show up under Christmas trees this year, toy experts guess. Odds are that three or four out of five of them will carry the familiar eagle emblem of S. L. Allen & Co.'s Flexible Flyer.

This year's model doesn't look much like the first Allen sled, marketed over 50 years ago. That was a four-passenger job with plush seats; it could be folded up for easy carting to country hills. Allen called it the Fairy Coaster and sold it for \$50. But the 1955 Flyers bear a strong family resemblance to those of the early 1900s (picture, opposite page).

Today, parents on the prowl for something for Johnny's Christmas can take their pick of two-tone-trim jobs with chrome bumpers. They'll pay from \$8.50 for a 37-in. Flexible Flyer to

\$24.50 for a 65-in., family-size sled. If they want to go for less, they can buy Allen's lower-priced line, the Yankee Clipper. But chances are they'll stick to the sled they knew when they were kids. Two-thirds of Allen's sled production is in Flexible Flyers.

• Timeless Toy—William T. Llewellyn (cover), president of the Philadelphia company, is used to questions about the seemingly timeless popularity of sleds. He himself has been with Allen & Co. for 40 years and handled the company's financial affairs before he became its head in 1953.

"Yes, this is the jet age," he observes. "But even a spaceman's helmet doesn't replace the kick a youngster gets out of whizzing down a snow-covered hillside."

Skis-which Allen also makes-and



Makes Good Sledding for Allen

toboggans take a degree of individual skill, he points out. But any youngster can flop on a sled the first time he puts hands on it. In a speed-minded age, coasting is probably the easiest way to get speed-and get it cheaply.

 Compensation—Yet changing times have had some impact. The biggest year for sleds was back in 1927. Television and indoor toys compete with outdoor sports. And traffic has closed off from coasters many a hilly street their parents used to zip down.

Flyer sales over the years have not risen proportionally with the increasing birthrate. Neither, Allen people claim, have the sales of any other sled or outdoor toy manufacturer. Yet increasing births have saved the day for makers of these products-have indeed, Allen says, made up for the harm that traffic



IN EARLY 1900s, as from the start, steering device was the sled's big feature.



and indoor competition have done. In the last few years, says Llewellyn, the rising birthrate has been reflected in greater demand for sleds. The movement from cities to suburbs has helped,

· Still the Leader-Why Flexible Flyer continues to dominate the sled market. as it has for two generations, is more complicated. Allen & Co. won't discuss its production figures, beyond estimating that it has put out "well over" 5-million sleds in the 66 years it has been making them. Outside sources guess that Allen & Co.'s annual output has amounted to more than 100,000 sleds in recent years. They don't believe any single competitor approaches this kind of production. Retailers agree with Llewellyn that Flexible Flyer is the only sled asked for by name.

Other Allen spokesmen point out that the Flyer is the only nationally advertised sled. But the advertising isn't lavish, compared with that of some other toys and specting equipment. Still, most of its competitors are content to concentrate their sales efforts on areas near their plants. Many put lower price tags on their products-competition that the Yankee Clipper is supposed to meet.

· Why-Mainly, Allen people believe the Flyer dominates the sled business for three reasons:

· The Flyer was the first sled that could steer.

· Overlapping patents gave Flyers a 33-year lead over the competition.

· Sentimental hangover leads today's parents to the sled they once had.

BEFORE THE FLYER, kids stopped or changed direction by dragging their toes in the snow (left).

Llewellyn puts great stock in that steering device as a major explanation for the Flyer's dominance. Samuel Leeds Allen, the company's founder, developed the first steering device that really worked. The company kept its top spot, Llewellyn holds, by adding

improvements over the years.

• From Plow to Sled-Just how Sam Allen got into the sled business is something of a mystery. For 18 years after he founded the company, it concentrated on farm implements, chiefly hand-operated seeders and plows. The Planet, Jr., line of garden and lawn tools still accounts for 75% of Allen's

One story has it that Allen's children ran down an elderly neighbor with their sled one day because they couldn't stop or turn by dragging their toes in the snow. So Allen is supposed to have started working out the Flexible Flyer steering apparatus.

Another story has it that Allen made his first sled for his daughter Elizabeth. She was at boarding school, and coasting was the most popular winter sport; groups of six or eight children would pool their funds to have a sled

However he got going at it, he came up with a steering handle that literally twisted the runners in the desired direction. One guess is that Allen got the idea from the whiffletree-the mobile bar on a horse-drawn vehicle to which harness is attached.

· Pot Boiler-There's no mystery, though, why he went into production with his new toy. His farm tool operations closed down every summer when the market slacked off. Some of his employees never came back the next year. And skilled men in steel working

"Look...all the way from New York without a wrinkle!"



125 pounds of clothing hang inside this H&D wardrobe box—travel cross country without dust or wrinkles. Let us show you how H&D packaging can protect your product, too.



HINDE & DAUCH

Subsidiary of Wort Virginia Pulp and Paper Company

AUTHORITY ON PACKAGING . SANDUSKY, ONIC

were hard to come by. Sled production was just the thing to keep the plant running year-round.

It wasn't till the turn of the century that the Flyer hit its stride. Then Allen sold it to two big department stores—Macy's in New York, and John Wanamaker in Philadelphia. That turned the trick. Today, the Flyer has such acceptance that even a Miami department store regularly stocks it—for tourists buying for small fry back home.

 Head Start—The patents kept out the competition for a while. The original patent on the steering mechanism was granted in 1889. It ran out in 1906, but a year before, Allen got another patent—this time on the grooved runner.

This was about as important a safety feature as hand steering. Early Allen sleds, like other sleds, had rounded runners. These skidded on stretches of ice or on sharp turns. Flat runners gave better control, but created so much friction that they slowed the sled. The groove cut down friction, provided even more control than the flat runner.

By the time this patent ran out, 17 years later, millions of today's parents and grandparents had become owners of Flexible Flyers.

of Flexible Flyers.

• Same Look—Tell Allen & Co. that today's Flexible Flyer looks pretty much like the one you used to own and you're sure to get a rise out of them—even though it's more or less true.

There are only two obvious changes—to look at. The sled runners now sweep up to the deck instead of projecting straight out from the rear. But this safety feature dates back to 1933. In the last two or three years, several models have boasted a chrome bumper—this year, the two-color trims were added.

• Mechanical Improvements—But there are other changes than the ones the eye can see. One ride down a hill demonstrates that even the steering has been improved. Much of this comes from a patented wrinkle that was added in 1938. Allen & Co. calls it "supersteering." Splitting the bar across the front to which the steering handle is attached does this trick; it permits you to turn the runners several degrees further in either direction.

Better steel for runners is another achievement. Allen buys hot-rolled carbon steel that is made and formed to its own specifications. It has to be thin, to allow easy turning. Allen's own shops specially treat it so that it will withstand sudden temperature changes—from a warm room to a cold hill.

The wood deck has improved, too. The decks are still slotted because no one has thought of a better way to get melting snow off them. But the wood



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now is all second-growth ash-the strongest and lightest the company can

get.

The chrome bumper has won only half-hearted approval. Many people-chiefly parents—don't like it, so it has been added to only four of the eight Flexible Flyer models. But the engineers say it offers the best protection they have been able to find for the vulnerable front end—the part that bangs into trees.

• Test Models—Every new line gets the tree-banging test. As production comes to a halt in December, the plant turns out test models for the next year's line. With the next snowfall, the sleds are put through their paces on a tricky hillside in Philadelphia's Wissahickon Park. The test pilots deliberately ram trees and rocks to measure durability, make high-speed turns to gauge maneuverability.

• Sales Barometer-These early tests are necessary to make sure the sleds are ready for the annual Chicago Toy Fair, held in March. Allen & Co. has received as much as 80% of its orders for the season at Chicago. But that is

changing.

"It used to be that this year's heavy snows guaranteed a fine sled market the following winter," Llewellyn explains. "Now retailers are cutting down on their early orders. They wait to see what happens in late November. If there is snow during Thanksgiving week, we have a complete sell-out. That's the time when Santa Claus comes to the big stores, and youngsters start writing their gift lists. Even if it is sunny the rest of the year, sleds get on the lists if there has been snow after Thanksgiving."

The Christmas market is the big one, of course. But heavy snows—earlier or later—can swamp the company with unpredictable orders. That's why Allen & Co. regularly schedules production 10% to 15% higher than estimated

calou

Picking Up Speed—Business is booming this year—thanks to heavy snows last year in such areas as the Midwest—which accounts for 35% of the sledding population—and to light snows in most sections late last month.

Weather is one problem the company has given up on. A few years ago, it tried to pin down weather vagaries. It combed over meteorological data accumulated by the government for the last 100 years. In the end, it found nothing conclusive enough for snow predictions.

Llewellyn wasn't very disappointed. He grants that 1954's heavy snows meant a 30% increase in sled sales so far this year. "But with the continuing increase in the birthrate," he says, "I don't see how sled sales can go anywhere but up."





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CARBON PAPERS

Racial Storm ...

beer withdraws its membership in NAACP, under pressure from white supremacy.

The sensitive issue of racial relations in the South and Midwest has plunged Falstaff Brewing Corp, of St. Louis into a storm that auggests how future trouble for other companies might shape up.

In April, 1954, Falstaff presented a \$500 check to the National Assn. for the Advancement of Colored People, which then recorded the company as a

life member.

Trouble started last October. John W. Hamilton—a former associate of racist Gerald L. K. Smith and now editor of the White Sentinel, the white-supremacy National Citizens Protective Assn. organ—ran a photograph showing Karl K. Vollmer, Falstaff vice-president, handing the check to a NAACP official. An estimated 80,000 reprints were circulated, chiefly in Mississippi. Hamilton claims he was flooded with requests for additional copies of the paper from "all the places where Falstaff does business."

 Falstaff's Version—Falstaff discovered that "some sales resistance" had developed in Mississippi. The company wrote NAACP that company policy was against corporate membership in controversial organizations, and that the check was intended to secure membership in NAACP for one of its salesmen, at the salesman's own request. Falstaff accordingly asked that it be dropped from NAACP membership lists.

A wave of protests rolled in from Negro circles. The St. Louis American, a Negro weekly, ran banner headlines, an editorial, and a news story disputing the company's version of its original intention. The paper also protested Falstaff's withdrawal from membership in

NAACP.

• Defense—Falstaff began getting calls from all over the country. The company says it can't determine exactly what effect the ruckus has had on sales. But it found the matter serious enough to justify distributing copies of its NAACP letter to dealers and others for their use if the issue comes up. Some observers wonder if Falstaff's final-quarter drive for No. 4 spot in 1955 beer sales will be threatened (BW—Nov.26'55, p48).

Other companies "exposed" by Hamilton are Ford Motor Co., Philip Morris, and Philco. But all deny any adverse effect on sales. As for the future, Humilton warns, "We have only

started."

THE MARKETING PATTERN

Is the Price System Sacred?

There is a widespread opinion today that the so-called "one-price" system—whereby a seller of goods or services offers the same price at the same time to all buyers—has sadly deteriorated in this country. This view stems from the rise of the discount house, from the prevalence of price-cutting among appliance dealers generally, from the spread of discounting into other fields of merchandising. There are loud laments, from retailers particularly, that the traditional U.S. one-price system, pioneered by merchantprinces A. T. Stewart and John Wanamaker, is giving way to jungle practices.

This raises a pertinent point. To know how far we have retreated from the one-price idea, you have to know how widely it was observed to begin with. This is a point to which Stanley C. Hollander of the University of Minnesota addresses himself in a study called the "One-Price" System—Fact or Fiction?, published in the fall issue of the lournal of Retailing.

It is virtual dogma, even in the courts, Hollander points out, to

accept the one-price system as the norm and any departure from it as an aberration. His conclusion, how-

ever, is quite different.

In a nutshell, here it is:
"Deviations from the one-price system have been significant enough to be of concern to businessmen all during the 20th Century ... Many ... are rooted in sharply entrenched habits."

hollander's catalog of deviations mostly compiled from prewar sources—is interesting and provocative. First, he offers instances of the practice among "regular" dealers or sellers, as opposed to those who deal in "backdoor" sales or the like.

The first big exception you have to make is auto sales, since almost every dealer will bargain over tradein allowances, thus discriminating between customers. This has always

been true.

Hollander next points to "the furniture stores in which customers are passed along from turnover man to turnover man. The independent gasoline stations willing to charge favored customers a few cents less than posted prices, and the neigh-

borhood liquor dealers willing to make rather similar proportionate reductions.

reductions . . ."

The catalog continues with "instances in which department store people have taken a sudden markdown to close the sale of an expensive fur coat, carpet, piece of furniture or appliance." He mentions children's rates given by theaters, transportation lines, or other services, ladies' days at ball parks, private sales by many stores for older customers.

The list lengthens with employees' discounts; professional discounts for clergymen, teachers, and others; group discounts for lodge members and other groups—all time-honored practices.

Hollander also makes the point that there is a parallel in the professional services. "Physicians and lawyers," he remarks, "regard the practice of tailoring fees to the client's 'ability to pay' as one of the hallmarks of their high professional development."

On top of this, there are the practices of the "unconventional" sellers—the furniture showrooms that theoretically deal with the trade but will give discounts to private buyers, the appliance wholesalers who deal through the backdoor.

How big a factor have these "deviations" become in the economy?

There is no way of telling. The estimates—for example, the one made by the U.S. Chamber of Commerce, which put the total of "discount sales" at \$25-billion or more annually—are all very much estimates. And they suffer from a lack of definition. Selling at discount does not necessarily mean abandoning the one-price policy.

This confusion, together with retailers' preoccupation about the one-price system, has, Hollander points out, an inherent danger:

"If the merchant sees such competition as new, and perhaps transitory, he may feel capable of adjusting to it—and controlling it—by adopting ineffective measures." Yet in the long run, he argues, pricecutting doesn't "involve a fatal threat to conventional retailers who are willing to operate efficiently, offer desired customer services, and price realistically."



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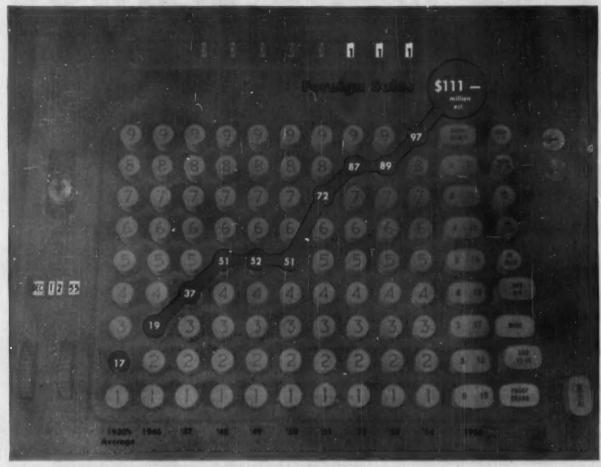
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This year's record will be the pace setter for National Cash Register's further expansion overseas.

This week National Cash Register machines were ringing up Christmas sales all over the world-in pounds for a British tailor, in francs for a French wine store, in marks for a German toyshop, in rupees for an Indian rug merchant. In time, NCR's Dayton (Ohio) headquarters will know something about these sales, and which of its customers reached a record volume in 1955. This kind of data, when it comes in, will influence NCR's plans for the future

For now, NCR officials are content to tabulate the company's own worldwide sales of cash registers, adding machines, and accounting equipment-and to watch the glow of satisfaction spread

over the face of company president Stanley C. Allyn when they report the results to him.

· Profit Picture-Allyn has good reason to be satisfied with the overseas sales reports he gets these days. Foreign sales this year have passed the \$100million mark for the first time, are up from last year's \$96-million to an estimated \$111-million (chart). That's a growth of more than 500% since 1946. If this year's domestic sales, excluding defense business, show the same kind of increase over 1954, they will still be only three times their 1946 level.

If the 1954 profit picture is anything to go by, this year's profits from overseas business will be well over \$5million. Last year's NCR's net earning from subsidiaries and branches outside the U.S. were \$5.7-million, out of which the company remitted \$4.8million to the U.S. These remitted profits amounted to 5% of foreign

· Into Production-Behind these handsome sales and profits figures lies a postwar investment abroad of something like \$50-million, if you include the foreign earnings retained for use in foreign operations. Most of this investment has gone into production facilities—new manufacturing and as-sembly plants in Britain, Germany, France, Switzerland, Sweden, Japan, and Brazil and the expansion of a longestablished assembly operation in Toronto, Can. These plants have paid off so well that this month NCR is completing arrangements to add manufacturing facilities to its assembly plants in Japan and Brazil.

· Decision-Although NCR has been supplying its overseas customers in-creasingly from its foreign factorics,

STANLEY C. ALLYN, company president, takes foreign operations under his own wing.





AUGSBURG FACTORY is the second largest of the seven NCR now has abroad.

exports from NCR's Dayton and Ithaca (N. Y.) plants have not suffered. On the contrary, the value of shipments from the U.S. this year will be about three and one-half times what it was in 1938. The explanation is this: Before World War II the bulk of Dayton's exports were in finished machines, whereas today a high percentage are shipped out as parts—for assembly abroad.

It was in 1945, when NCR's foreign sales were only \$11-million, that the company decided that it would have to do a big chunk of its manufacturing and assembly abroad if it wanted to rebuild and then expand its overseas markets.

Before World War II, it had supplied world markets pretty successfully out of Dayton and Toronto, and one foreign plant, in Berlin. But by the time the war was ending in Europe, Allyn and his associates realized that the economies of Britain and Western Europe had been badly shaken—so badly that it would be many years before Britain and the continental countries would be able to import at all freely from the U.S.

At the first opportunity Allyn went abroad to size things up for himself. In August, 1945 he visited both Britain and Germany. He went into Berlin under U.S. Army auspices, found that NCR's Berlin plant had been stripped by the Russians. In Britain he learned about the difficulties that were later to be lumped together as the dollar problem.

New Markets—Allyn's trip, which included some talks with shrewd British and continental bankers, led before long to his company's decision to (1)

build a manufacturing plant in Dundee, Scotland to supply the British and Commonwealth markets; (2) rebuild the German manufacturing operation in Augburg, West Germany to serve both German and export markets. Both countries offered big domestic markets plus special advantages for exporting to other parts of the world.

NCR decided about the same time to start a small mixed assembly manufacturing operation in Switzerland to take care of world markets that couldn't be reached from the U.S., Britain, and Germany. Later, assembly plants were established in France and Sweden.

By 1950, this whole plan was in full swing, with the Dundee plant especially expanding at a great rate. Between 1950 and 1955, total output in Britain and Western Europe rose by 75% (chart, above). Next year it is expected to go up an additional 20%.

• Sampling—Allyn and NCR weren't unique in the problem they faced in 1945 or in the way they decided to lick it. Many other U.S. companies, including the big auto makers, have invested heavily in new or expanded production facilities abroad—for the same reason. That goes for the other leading firms in the business machine field—International Business Machines, Remington Rand, and Burroughs. This expansion of U.S. direct investment abroad has been one of the most important developments in American industry's adjustment to the postwar world.

It has had an important effect on other countires, too. Take these British figures: U.S. manufacturing subsidiaries and joint U.S. British companies last year produced goods worth £500-million in the U.K., as against U.S. commercial exports to Britain of only £140-million. Thus, of the "American goods" bought by the British last year, nearly four-fifths were manufactured in Britain. Prewar, the proportions were not far from the reverse

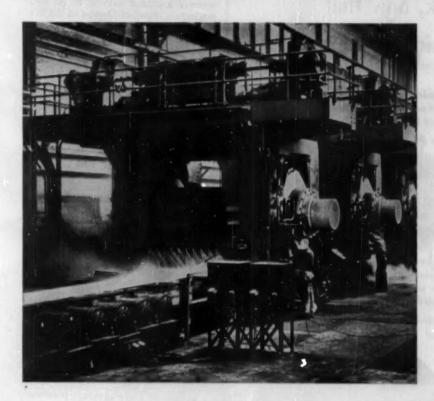
• \$12-Million Investment—NCR has put well over \$12-million into its Dundee plant. Today it employs some 2,600 workers there, has over 500,000 sq. ft. of floor space. Dundee has, in fact, a more modern plant setup than

The plant is tooled up for complete manufacturing—in sterling and decimal—of a full line of the latest adding machines, a full line of accounting machines (ones brought out in the U.S. in 1950), and a complete line of NCR's less expensive cash registers. In addition, a couple of other lines of cash registers are assembled from parts produced in Dayton. This year, the plant will export one-third of its output, sell two-thirds in Britain, which is NCR's largest single market outside the U.S.

NCR's biggest problem at Dundee has been to get enough skilled workers. The city, which lies in one of Britain's postwar "development areas," had been blighted by the decline of the jute industry and local shipbuilding. That's why the British government wanted NCR to locate there. Dayton production bosses have had to use all the tricks at their command to get production standards somewhere near Dayton levels.

• Other Plants-The Augsburg plant is housed in what was once a Messer-

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This is Franklin F. Starks. He is President of Starks Building Company, Inc., owners of one of the finest office buildings in any city. It has long been the pride of Louisville, Kentucky.

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"But, until a year ago, the Starks Building fell short of being completely comfortable all year round. The weather can get mighty hot and humid here, and I'm afraid our tenants were just as uncomfortable as anybody else in Louisville.

"We recognized that our building couldn't continue to be valuable unless we kept our tenants contented. So we decided to modernize with Carrier air conditioning. Frankly, it has revitalized the building. Despite its years, for all practical purposes, Starks is the youngest office building in our city!"



schmitt aircraft factory. What it lecks in the way of Dundee's modern layout, it makes up in the skilled labor it can draw from a city that was a major aircraft center during World War II. This, plus an aggressive German engineering staff, gave the Augsburg management a chance recently to get into production ahead of Dayton on NCR's latest line of cash registers. Augsburg and the smaller Berlin operation together produce about two-thirds of what Dundee does. Roughly 65% of Augsburg output is exported and 75% of Berlin's.

NCR's plant in Switzerland is devoted mainly to a mixed manufacturing—assembly operation on one complete line of cash registers. These are exported to 30 or 40 different countries, and to qualify as Swiss exports they must contain just over 50% of Swiss material and labor content. The existing plants in France, Sweden, Brazil, and Japan all are confined strictly to

assembly.

Just this month, though, NCR closed deals calling for the manufacture of one complete line of cash registers in the Sao Paulo plant and another cash register line in Tokyo. Allyn's hopes are high, especially for the Tokyo expansion. If Japan can continue opening up new export markets, he figures that the Tokyo plant may expand in the next 10 years as much as Dundee has in the past 10.

 Sales Centers—NCR hasn't neglected its sales and service organizations while it has been going into more and more

production abroad.

The company's service personnel abroad now numbers 5,036 against 3,387 here in the U. S. Overseas it has as many service points as it has in the U. S., though these are scattered through some 90 countries.

Overseas salesmen still are trained and indoctrinated in the classical sales curriculum that made the company's founder, the late John Henry Patterson, famous. From all accounts, the Patterson formula works abroad as successfully as it does in the U. S. Training courses go on continuously in various parts of the world; 12 to 15 of the overseas staff come to Dayton each summer, go through their paces at the Sugar Hill sales course (BW-Aug.2 '52.p38).

 Sales Pitch—For the most part, NCR's foreign sales force sells machines to the same type of customers and in the same way as does the domestic

organization.

Selling a customer isn't always as easy overseas as it is in the U.S., especially in a country where wages are a mere pittance. In areas like the Middle East and Asia, the usual laborsaving angle doesn't count for much; then the sales pitch is the speed and



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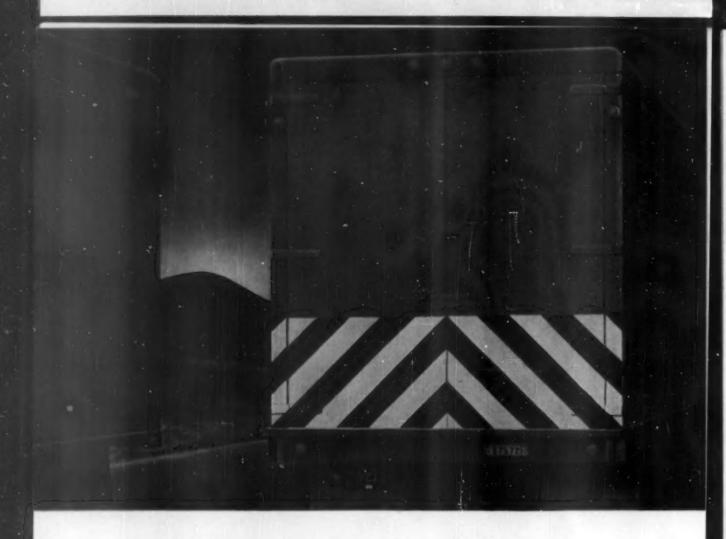
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Trucks triple work load in 15 years

Owners buy over 1,000,000 vehicles a year with the help of bank credit

Last year, the country's 10 million trucks hauled the equivalent of 100 round trips to the sun with a 10-ton load. This represents a 200% increase over the year 1940.

crease over the year 1940.

To do this job, trucking has become America's largest industrial employer and a leading public servant. Today, motor transport moves 75% of the nation's freight, provides one out of every 10 jobs, and spends almost \$30 billion on wages and materials. Truck owners pay % of all motor-vehicle taxes, and buy over 10 billion gallons of gas a year. In 1954, truck manufacturers bought raw materials from every state to produce a million new trucks.

Although trucking is a gigantic industry, most of its operators started as relatively small business men. Because of the spectacular expansion of the industry, they sometimes had difficulty financing their expanding equipment needs. In recent years, however, truckers have been coming to First National City Bank, where they have found a constructive and imaginative approach to a solution of their problems. They have had the opportunity of working with bankers thoroughly versed in the economic factors underlying the industry. These bankers are prepared to work out financing arrangements to fit a specific company's individual requirements.

In addition to making direct loans, First National City finances truckers indirectly by lending money to truck, tractor, and trailer manufacturers and their finance companies. The Bank also helps these manufacturers sell abroad through the services of its 60 Overseas Branches.

No matter what your business, you will find that First National City bankers take a creative approach to your financing problems. This creative approach — the product of 143 years of banking experience, backed by world-wide facilities and resources of about \$7 billion—can provide constructive answers to your banking and business needs. Consult us for the advantages of having a banker instead of just a bank account.

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accuracy that an NCR machine can offer.

But in Dayton, the feeling is that the rest of the world, with Western Europe leading the way, will go through the same wage-cost cycle in the next 50 years as the U. S. has in the past 50.

Allyn counts on increasing labor costs to go on boosting NCR's business both in the U. S. and overseas. He is fond of pointing to the annual cost to an employer of overtime and fringe benefits—things that don't have to be

paid to a machine.

There is another trend, of an entirely different sort that NCR watches closely. It's the spread of the decimal system. Until recently, there had been four currency systems in the worldthe decimal, sterling, Indian, and Cypriot. Recently Cyprus switched to the decimal system and NCR immediately set up a sales office there. India, too, will soon turn to the decimal system, which may mean more business for NCR once it has completed the tremendous service job of converting the old-type machines it already has sold in India.

· Back Home-NCR has learned since 1945 how best to handle the organizational setup of its changed foreign operations. Between 1933 and 1950, the headquarters for overseas sales (excluding Canada) was in London. Now it's back in Dayton, where the company's top management team can keep a close eye on both foreign sales and foreign manufacturing. Overseas operations (excluding production) are headed by a vice-president and board member, John S. Scott-a Briton who came up through the London organization when it ran the world show. Under Scott are 10 overseas divisions, ranging in extent from one division that takes in only Britain to others that cover a dozen Latin American or Middle Eastern countries. Foreign manufacturing has always been under Dayton's wing, with the vice-president in charge of production, rather than the overseas division, responsible.

· Same Policy-The shift of overseas headquarters from London to Dayton in 1950 didn't mean that NCR had suddenly gone nationalistic. In an over-seas staff that totals about 17,000 it has only half a dozen Americans. There is no Dayton dictation, either, as to what manufacturing source the local sales managers abroad should turn to for the machines they need. Each local manager is supposed to buy from Dayton rather than from, say, Dundee or Augsburg, if his government will allow him the dollar exchange. Otherwise he decides himself where to place his order, depending on how the import permit situation looks at the In this respect, NCR differs

Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

PUBLICITY REGARDING our two newest plants, both of which will be completed next year, has caused a number of people to ask how we decide exactly where to locate new facilities.

One of our men is fond of saying, (in male company) that choosing a plant site is much like choosing a wife: mistakes are not only costly, but extremely hard to live with. Which is why we always approach the problem with a great deal of care, and use the counsel of outside plant location specialists.

The initial steps are, of course, almost routine. The product to be made determines the plant's general specifications, labor force, utility requirements, transportation needs, etc. Location of raw materials and major markets will dictate the general area in which the plant should be located—and this area may vary from several states to a few square miles.

It is the next step which is more difficult—the screening of the general area for communities which most nearly meet our requirements. This is the point at which we employ outside plant location specialists. Communities are first measured against the tangible requirements mentioned above. Other tangibles are also examined: physical appearance of the community, transportation and recreation facilities for workers, real estate values, and tax structure.

Normally, several communities in a given area meet all of the above tangible requirements. But in the final selection of one community, it is an intangible that weighs heaviest with us: Community attitude. Does the

community want industry?

The outside research specialists on plant location make a real effort to take the pulse of the communities under consideration. And that means not the Chamber of Commerce and the real estate interests, but the men and women of the town—many of whom will be our workers if we locate there.

We believe this is vitally important. It is difficult, if not impossible, for any manufacturer to operate profitably without the goodwill of the people among whom he operates. We try to locate where that goodwill exists, and then do our honest best to continue to deserve it.

Our Meter and Valve Division has condensed a considerable mass of practical information in a new bulletin on the application of various Rockwell products in sewage disposal plants. Gas meters, gas regulators, water meters, and Rockwell-Nordstrom lubricated plug valves are included. A separate section discusses the various methods of remote and power operation of valves; a subject increasingly important in modern treatment plants.

Sales of the Rockwell-Ohmer noiseless electric taximeter have snowballed since its introduction a little over a year ago. While some taxicab operators are replacing mechanical with electric meters each time a new cab is bought, others are converting entire fleets at one time to electric metering.

Five new permanently bound books have been added to the extensive Deltacraft Library, published by our Delta Power Tool Division and sold through Franchised Delta Dealers. Deltacraft Books are written to help home craftsmen get the most out of their power tools, and to give them plans and ideas for workshop projects. One of the new books, "Practical Finishing Methods," is unusual in that it begins where power tools leave off. It is said to be one of the most comprehensive guides to woodwork finishing techniques.

One of a series of informal reports on the operations and growth of the

ROCKWELL MANUFACTURING COMPANY

PITTSBURGH 8, PA.

for its customers, suppliers, employees, stockholders and other friends



THE DUAL ROLE OF

DUREZ IN INDUSTRY



add dependability in railroad signals



put longer life in rubber soles

BOTH could benefit your business

One of the more fruitful sources of product betterment . . . of improved processes . . . is the phenolics developed by Durez. Their field of usefulness as molding compounds is industry-wide, firmly founded on impact strength and lustrous molded-in surface beauty. With these are combined resistance to heat and chemical action, and superior electrical properties. Employed as resins to bond, coat, or impregnate, Durez phenolics enhance wanted characteristics in other materials and increase sales values in end products. Can they be used profitably in your business? Talk with your molder or with Durez, the leader in developing and producing the versatile phenolics.

Ask, too, for our latest general bulletin.



DUREZ PLASTICS DIVISION

Phenolic molding materials and phenolic resins that fit the job



4012 WALCK ROAD, NORTH TONAWANDA, N. Y.

from a number of other U. S. companies; Eastman Kodak, for example, decides in its Rochester headquarters which of its factories is to supply each market.

As a general rule, NCR prefers to have 100% ownership in its many foreign subsidiaries whether they are manufacturing or sales companies. The company believes that this is the best way to maintain a uniform NCR pattern throughout the world. In the case of manufacturing, there are only two exceptions. In Germany, Krupp has a 20% interest and in the new Japanese setup a member of the Fujiyama family will have a 33% stake. Allyn feels that Dayton interests gain from having these strong local partners in two countries that have gone through political upheavals in recent years.

• Success Story—NCR's postwar expansion ranks with the record made by any U.S. company in its own field—probably with that made in any other industry. And credit for that is pretty widely given to Allyn, both by his associates and by his business friends.

It has been said by at least one outsider that one of the factors behind Allyn's success is a worldwide NCR intelligence system, which can't be duplicated anywhere outside of Washington. This is a myth, and one that Allyn has never even pretended to believe.

No one who knows Allyn and the associates who work most closely with him in the foreign side of the business—Executive Vice-Pres. Robert S. Oelman and John Scott—doubts that Allyn has made good use of the intelligence he gets from his far-flung organization and from his frequent trips abroad. They rate him as having about as much savvy as anyone about foreign developments that affect American business.

Perhaps more important is the way Allyn runs NCR. Although it has become a sizable company with about 38,000 employees and annual sales that will run close to \$300-million this year, NCR still is set up something like a Company with half or a quarter of this annual business. Allyn knows NCR's business inside out-from what a New York salesman's quota is to what Dundee will be producing next year. At least in the case of NCR's overseas operations Allyn seems to make his decisions from what has now become professional intuition.

Allyn has never believed in standing back to see how things would develop abroad. He has proved this again and again since 1945. It's a safe bet that if he sees an opportunity to get into the Soviet market, he won't waste any time in catching a plane for Mos-

COW. END

Where's the Best Place to Buy Sound Conditioning?

Approved Armstrong contractors help select the right materials

for specific job conditions, eliminate costly mistakes

Today's open planning, crowded conditions, and increased activity are creating new demand for sound conditioning in business offices. The complexity of the average noise problem and the wide range of acoustical materials available make it more and more impractical to buy sound conditioning without expert assistance.

To make the specialized assistance needed in buying sound conditioning readily available, the Armstrong Cork Company has approved acoustical contractors throughout

the country to handle their full line of acoustical materials. These highly trained men are qualified to solve the most difficult noise problems. They employ skilled construction crews to install Armstrong materials as efficiently and economically as possible.

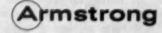
After careful study of the noisy areas, an Armstrong Acoustical Contractor submits a detailed analysis of the sound-conditioning needs. This recommendation includes the type and amount of material required as well as the most

practical method of installation. Budget, building codes, efficiency, appearance, and many other factors are completely evaluated before the proposal is made.

You can get full details on Armstrong sound-conditioning materials from your Armstrong Acoustical Contractor. He'll be glad to give you a job estimate, without obligation. For your copy of the free booklet, "Quiet at Work", write Armstrong Cork Company, 5512 Indian Road, Lancaster, Penna.



Both beauty and quiet are provided by the Armstrong Travertone ceiling in the modern Board Room of New York's Columbian Carbon Company. William J. Scully Acoustics Corporation, acoustical contractors on the job, also selected Travertone to meet local fire-safety codes,



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In Business Abroad

Tires Are the Target as Britain's Battle Over Antitrust Policy Begins

Fourteen British tire manufacturers-two of them U.S.-controlled-stand condemned of pricing policies "against the public interest." And Britain's soul-searching about antitrust policy is moving fast toward the first real public clash (BW-Jul.9'55,p110).

Last week, the Monopolies Commission reported that the tire companies (1) compare costs and prices and (2) collectively enforce resale prices by "trade courts," boycotts, and the like. The Royal Commission condemned these practices. Most important, a 5 to 4 majority found that "in this case" resale price maintenance of the considered nance by individual manufacturers, hitherto considered lawful in Britain, was contrary to public interest.

The report falls into the bailiwick of Board of Trade Pres. Peter Thorneycroft; he must decide what to do. The first step is usually to talk to the companies involved, see how much they are willing to yield by con-The tire people (including British affiliates of Goodyear and Firestone) are likely to concede something quickly to placate public opinion, which is fired up by colorful press stories of "secret trade courts" meting out justice to the discount sellers.

The companies can abandon some policies without much risk of encouraging a big outbreak of discounting. But they will fight for the right to fix resale prices.

The Commission's report comes just as the government's Monopolies Bill is getting its final touches. Thorneycroft, the government's leading antitruster, had been prepared to go a long way toward outlawing many price policies. He had been beaten back by pressure from within the Tory party. Now the commission has strengthened his hand.

The battle will be a long one; certainly there's no chance that price-fixing will be made illegal soon. But the tire industry report has had the effect of raising the prestige of the commission and Thorneycroft, andto be sure-has given the Labor Party a heaven-sent

weapon to attack the Eden government.

Businessmen, meanwhile, are rallying to the defense of the status quo. Indeed, they mean to fight the antitrust threat with as much zeal as they fought nationalization.

Canadians Beam at Biggest Year And Howe Thinks More's to Come

Canadians are totting up the biggest year in their history, and expect gross national product to top \$26billion, a 9% increase. Indeed, the 1955 performance far exceeds the rosiest estimates of Finance Minister Walter Harris, and could mean a balanced budget instead of the deficit Harris expected.

Trade Minister C. D. Howe, peering further into the

future, believes the boom will continue well into the new year. Howe predicts that capital spending will be "at least as high, and probably higher," than the current year's \$5.9-billion. New construction, adds Howe, will more likely be limited by shortage of materials rather than by shortage of available capital.

Officers of the Bank of Canada are optimistic, too, but worrying a bit about inflation. During one of their periodic tete-a-tetes with commercial banks, the central bankers suggested last week that lending practices might be tightened, and especially in the case of loans to

installment finance companies.

Last winter, Canadian credit policy was one of "active ease." Just as in the U.S., "active" was dropped, and later "ease." The discount rate was raised last month to 234% (a high for Canada), and since then short-term rates have edged steadily ahead of U.S. rates. Ottawa believes seasonal unemployment won't be nearly so severe as last winter, and means to stick to tighter money.

Meantime, many Canadians are talking louder about trade policy. Pointing to new figures that show a widening trade deficit with the U.S. and a widening surplus with Britain, they are insisting that Canada buy more from across the Atlantic, less from U.S. British trade officials-and no less a personage than Sir Anthony Eden-are urging them on.

Business Abroad Briefs

European engineers and contractors are making hay in booming Venezuela. Two West German firms— AEG and J. M. Voith—and Switzerland's Oerlikon won, over eight other bidders, a \$7.5-million contract for electrical generating equipment for the Caroni River hydro project. Italians have just received a \$10.9-million award for a power station at Puerto Cabello; and FIAT brass came on from Italy last week to try to nail down the contract for Venezuela's first steel mill.

Budget-time in West Germany: Finance Minister Schaeffer, introducing a record \$7.7-billion budget, has plans for (1) a 10-year road program, beginning with a \$154-million appropriation in 1956; (2) more low interest credits for Germany's bustling shipyards; and (3) special credits to help Lufthansa buy more long-range airplanes.

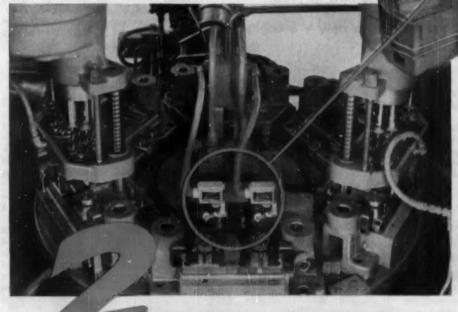
Austrians have won a \$269,700 contract for transformers for Bureau of Reclamation's Granite Falls (Minn.) electric substation. American Elin Corp., the Austrians' U.S. subsidiary, submitted a bid that, when evaluated for comparison under new, "Buy American" standards, was \$94,938 under Pennsylvania Transformer Co., low U.S. bidder.

New plants. Kraft Foods has begun work on a \$5.6million British plant-an ultramodern, windowless, filtered-air factory at Liverpool. . . . Vapor Heating Corp., Chicago, another U. S. recruit to Holland, is building a hot water heater factory outside Amsterdam. Hugo Stinnes Industrie & Handel GmbH, Bremen, bought out Canada Machinery Corp., Galt, Ont., and will tool up to produce precision production equipment for aircraft and auto industries.



MICRO SWITCH Precision Switches

Over-all view of Turner Bros.' 6-station indexing type machine



Close-up view showing two MICRO SWITCH switches which assure work is properly positioned

switches assure perfect positioning of parts at 440 per hour

It takes accurate, split-second positioning to drill, ream, mill and countersink parts at 440 per hour with the utmost precision.

In the case of this 6-station indexing type machine, made by Turner Bros., Inc., two MICRO SWITCH limit switches, located on the dead-center indexing table, assure this perfect positioning—will stop the machine if parts are improperly clamped in place.

Turner engineers chose MICRO SWITCH enclosed limit switches to perform this exacting function because of their extreme reliability, their sensitive operation, rugged housings and seals which made them resistant to entrance of dust and grit.

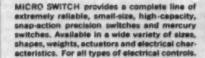
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Life Brightens for Little Two

Auto twosome of American Motors and Studebaker-Packard still show losses against Big Three gains.

But both, with plant shifts and all-new low-priced models, look for black ink to flow in 1956.

AMC is also betting on a new V-8 engine; and S-P counts on a better labor break.

While Detroit's Big Three of General Motors, Ford, and Chrysler are getting bigger, with record profits expected this year, the Little Two of American Motors Corp. and Studebaker-Packard Corp. are still showing losses. Yet there's a contradiction. This week, despite the continued losses, the future of the two smaller motor makers never looked brighter.

American Motors this week announced a loss of \$6.9-million (after tax carryback credits of \$9.7-million) for the fiscal year that ended Sept. 30. That's small enough—by automotive standards—to make talk of a profit next year not at all unrealistic.

Studebaker-Packard probably will wind up its calendar year with a heavier loss on its books. But its major problem has been more labor than financial—and it looks now as if a new labor agreement for Studebaker may be signed next week. That could square S-P away for a successful 1956.

• Completely New-In other areas, the mergers that put Nash-Kelvinstor and Hudson into American Motors in May, 1954, and brought Studebaker and Packard together in October, 1954, already are a qualified success. Two basic common goals—lower production costs through better plants, and stronger dealer bodies—have been attained. Both companies feel they also have whipped a third common problem: a more salable product.

Both companies believe they have to have a strong entry in the low-price field (what AMC's Pres. George Romney calls a "basic volume car"). The low-priced cars account for nearly 60% of the entire auto market. It stands to reason that a successful company has to have a foothold in that field.

At AMC the low-priced car is the Rambler; at S-P it's the Studebaker. You can see the direction of the Little Two's thinking in the fact that for 1956 the Rambler and the Studebaker were the only cars of the two companies to

be completely changed. (Only two other cars in the industry, Ford's Lincoln and Continental, were all-new for 1956.)

• Strategy—Of the two new cars, the Studebaker is by all odds the most strikingly changed—the styling now is American rather than European. The sloping hood and fenders are gone. There is chrome trim around the headlights and along the side—although if you look closely you can see that the basic body shell of previous models is still being used.

Studebaker, which was the only truly European-style car in volume production in the U.S., has turned toward the more conventional car market in the hope of boosting its sales. But it is not giving up on the sport-type car market. It also offers the "Hawk" series—adhering rather faithfully to the Studebakers of recent years, but with a new grille and, on some models, upswept fins on the rear fenders. The top of the line, the Golden Hawk, is powered by the big Packard 275-hp. engine.

The strategy is plain: With the conventional Studebaker, the division hopes to get a piece of the Chevrolet-Ford-Plymouth market; with the Hawk line it hopes to hold the Studebaker owners who originally bought because they liked the European styling.

liked the European styling.

"Compact" Car-American Motors'
Rambler is nearly 2 in. lower than the
1955 models, a trifle narrower in outside width, and appears longer but is
not. The front end has more of the
Nash treatment—headlights in the grille,
front fenders curved downward. The
windshield is wrapped around. There's
also a pillarless four-door station wagon
in the line, the industry's first model
of this kind.

American Motors is still planning to trade on the Rambler's short wheelbase -108 in., unchanged from 1955-and economical engine of 120 hp. (up from 90 hp.). Romney, with a missionary's zeal, believes the future market belongs to the "compact" car (he claims the

Rambler has more room inside than a Buick Special). With the 1956 Rambler he hopes to go a long way toward proving his point.

• Prospects—The fact that the total auto market in 1956 may be smaller than in 1955 doesn't particularly bother either Romney or James J. Nance, Studebaker-Packard president. There are special considerations involved in their companies that, even in the face of a possible decline in the market, make future prospects favorable.

I. American Motors

American Motors started life with all sorts of handicaps. It inherited obsolete plants from Hudson, and a total bank debt of \$69.6-million. In 1953 even Kelvinator—the appliance end of the business—lost money, for the only time in history. Hudson cars were not selling well. At the end of the corporation's first fiscal year—Sept. 30, 1954—the loss was \$11-million after a tax carryback credit of nearly \$11.5-million.

What AMC actually bought in the

What AMC actually bought in the Hudson merger was dealers—it doubled the outlets for the Rambler, the basic volume car. (Some in Detroit sniffed at that explanation; but one AMC man had his own justification: "Hudson dealers are good dealers; they had to be to sell Hudsons.")

American Motors sold 75,887 Ramblers this year up to the end of November, compared to 37,719 for all of 1954. Romney's 1956 target is 150,000.

Revamping—American Motors has now used up all its tax carryback credits, so from here on out it has to make do on current income. Romney is confident it can. Its 1956 budget is \$9-million below 1955 expenditures.

AMC has made some tough, realistic decisions. It moved Hudson production from Detroit to Kenosha and Milwaukee to consolidate manufacturing. It sold one Hudson plant in Detroit, and the El Segundo, Calif., Nash plant. It has even sold 65% of its interest in Ranco, Inc., a profitable manufacturer of heating controls used by practically every auto company. The \$12.5-million proceeds of these sales were applied to development of a new V-8 engine—which in itself gets AMC out of a box.

The engine will appear in Hudsons and Nashes in March. This will give AMC its own V-8 engine—until now it has bought Studebaker-Packard's. The S-P engine was supplied only with Packard's Ultramatic transmission—which meant that Nash and Hudson

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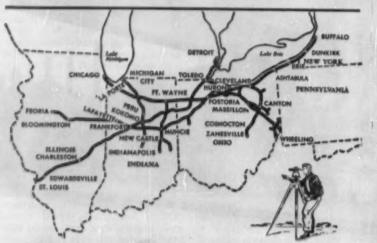
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could not offer a V-8 with conventional transmission.

On top of that, AMC spent about \$21-million on tooling and a new assembly line for the Rambler.

• Finances—As a result, AMC's working capital declined by nearly \$20-million (to \$62-million), and bank loans rose from \$29.2-million to \$36.5-million—but auto companies customarily take bank loans to finance new models, and repay during the life of the model. Long-term debt was shaved from \$16-million to \$14-million. With a sounder manufacturing and financial structure, a new low-priced car and V-8 engine, and eager dealers, AMC seems to have about completed its turnaround.

II. Studebaker-Packard

Studebaker-Packard's financial figures are frightening—until you look behind them. For the nine months ended Sept. 30, the loss was just about \$30-million. Working capital, however, declined only \$10-million—the rest of the loss was due to charging off of tooling. More significantly, the Packard-Clipper Div. is breaking even; it's the Studebaker Div. that accounts for the loss—and that's because of its labor situation.

• Over the Bump—Studebaker long has had a unique labor contract. Workers were on an incentive, rather than hourly pay basis; they had plantwide bumping (seniority) rights; and other unusual privileges. Management first persuaded the local union in the autumn of 1954 to accept an hourly pay system. Since then it has been trying to eliminate the other "non-pattern" provisions.

Studebaker's contract expired last

Studebaker's contract expired last Aug. 31. Nance was confident that if a new contract without plantwide bumping could take effect then, the corporation could end the year with either a small profit or small loss. But neither side would yield on the issue, and negotiations dragged. At midweek, the dead-line was Dec. 19.

As an S-P man says: "New plants cost us \$50-million (in 1953); trying to straighten out the Studebaker labor situation has cost us \$30-million." That was because of work stoppages.

S-P feels certain it now will get a better seniority agreement. That would remove the most sizable internal bar to

profits next year.

• Selling—S-P made its drastic change in the Studebaker for less than \$15-million. By use of plastic tooling, styling the Hawk series also was inexpensive. The plant rearrangement and modernization program is completed. Now it's up to the dealers to sell the cars.

Apparently they are doing it. Harold E. Churchill, division manager, says the Studebaker introduction was "the most successful since 1950," with a factory backlog of 36,000 dealers' orders. END

which letter is more likely to succeed?



The one with the crystal-clear window can mean better business

The cost is negligible but the extra value of crystal-clear acetate windows is worth dollars in goodwill and good public relations for your business. On your next order of stationery, order Acetate windows.

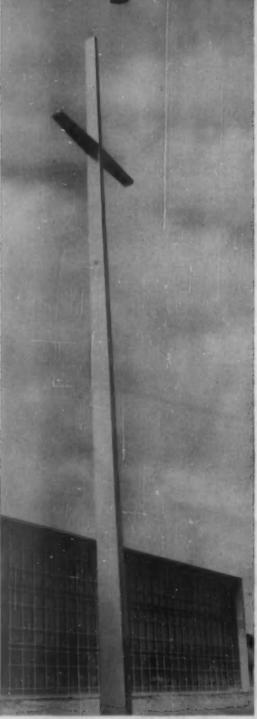
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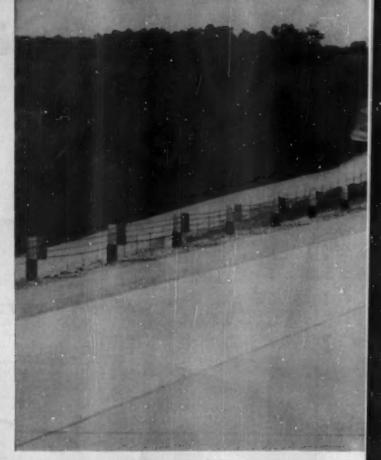
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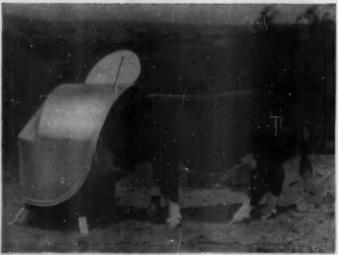
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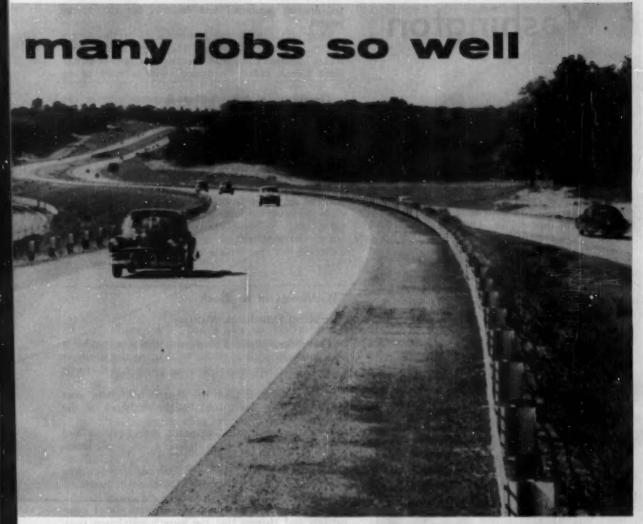


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In Washington

Party Politicians Plan To Put the Bite on Voters

Top Republican and Democratic strategists are working up plans to buttonhole the millions of voters who ordinarily aren't ever asked to contribute to political

campaign funds.

The heart of the plan involves a series of new paper advertisements to be placed by the Advertising Council of New York, appealing to citizens to contribute \$1 to \$5 to the party of their choice. The council would ask the newspapers to contribute the space free as a public service. Then it would be up to the parties to solicit contributions in any way they wanted to.

The idea is to increase the number of political contributors from the present 2% or 3% of the population to include more of the 30% who have indicated in polls

that they would come across if approached.

A statement of principles has been worked out by GOP and Democratic representatives and now is being circulated among party leaders. So far, reaction has been favorable.

FTC Challenges GM Parts Advertising

General Motors Corp. got slapped this week by the Federal Trade Commission with a case of false and

deceptive advertising.

FTC's charges are the result of complaints—also aired at the GM Senate hearings—from independent parts manufacturers and wholesalers, who claim GM's parts advertising unfairly is diverting business from independent manufacturers. FTC's target is GM's use of the words "genuine Chevrolet" to describe parts used in auto repairs, which are distributed and warranted by GM.

Some of the parts bearing this label actually are bought by GM from independent manufacturers. FTC says GM implies that "genuine Chevrolet" parts are superior to the same parts sold without this label by competitors. The commission says these implications are false and misleading and defame and disparage

competing products.

Army, Navy to Team Up To Develop New Missile

The Defense Dept. has ordered full-speed development of a ship-launched intermediate-range ballistic missile (IRBM) to carry a thermonuclear warhead at least 1,000 mi. at speeds exceeding 12,000 mph. (A ballistic missile is one that follows a path similar to the trajectory of a shell shot from a gun.)

To step up the development, the Army and Navy

are pooling personnel and facilities for the special

project.

Most of the work will be conducted at the Army's Redstone Arsenal in Alabama, where a group of German rocket scientists has already developed a land bombardment missile called "Redstone" with a range of up to 200 mi.

The Pentagon believes that Redstone's range can be increased at least five times and that a missile like it can be launched from battleships or other vessels. That's why the Navy will work on the project with the Army. Presumably, officials feel the missile can be developed more rapidly than the Air Force's "Atlas" intercontinental ballistic missile (BW-May 28'55,p37).

The naval missile would be fired about 150 mi. up into the air, set on its course like an artillery shell, and come plummeting down on target following a ballistic path. Many Washington observers think the Russians already have developed a giant land bombardment rocket of this type with a range of about 800 mi.

FTC Moves In to Block Spalding-Rawlings Merger

The Federal Trade Commission this week added a new antimerger case to its file by charging that a merger of two of the four largest sporting goods manufacturers violates the law.

The commission filed the charges two days after A. G. Spalding Bros., Inc., bought the stock of the

Rawlings Mfg. Co.

Both companies are important manufacturers and distributors of brand-name athletic goods of all kinds. Spalding's 1954 sales topped \$23-million, while Rawling's sales for last year were \$10.5-million. Spalding stockholders last week approved purchase of Rawlings' capital stock for about \$5.7-million.

FTC says the two manufacturers were direct competitors and charges that the merger will lessen competition substantially and tends to create a monopoly in the sporting goods industry. If FTC proves its charges after a hearing, it can order the two companies

to separate.

The Spalding case brings to 10 the number of cases in which the government has charged violations of the antimerger law since it was amended in 1950—FTC has initiated six and the Justice Dept., four. Proceedings are under way in all of them, but no decisions have been reached yet.

Railroads Go Into Huddle Over Freight Rate Hike

Railroad ratemaking officials are meeting this week in Chicago to try to come to an agreement on an across-the-board freight rate increase. Representatives of 150 railroads met in Washington last week, but couldn't reach an accord.

Eastern milroads are plugging for a straight 7% increase, but Southern roads want exemptions for certain commodities. And the Western group won't go along unless the South comes in.

What's new in PETROLEUM?

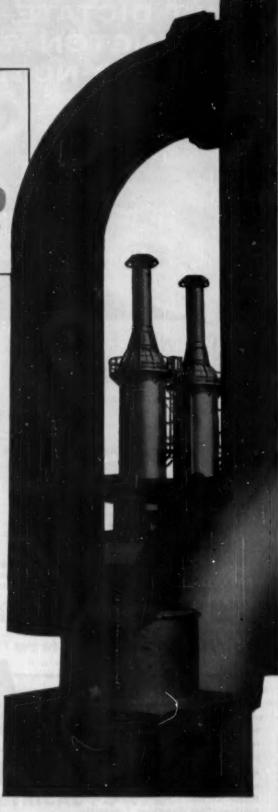
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But some type of increase seems sure to come. Railroads have estimated that it will take about \$400million in added revenue to cover wage increases that have been granted or are now under negotiation.

The last time the railroads got an increase was in 1952, when rates were hiked 12% to 15% on a temporary basis. The Interstate Commerce Commission made the increase permanent this October.

Aerojet Gets Contract For Satellite Rocket

Aerojet-General Corp., Azusa, Calif., has been awarded a Navy contract to design and produce a liquid rocket motor for the second stage of the three-stage rocket to launch an earth-circling satellite into outer space within the next three years (BW-Aug.6'55,p31).

Some months back, Glenn L. Martin Co., Baltimore, was named prime contractor for construction of the rocket launching vehicle (BW—Oct.15'55,p196). Martin is building the first-stage rocket, which will be powered by a new motor being developed by General Electric. Contracts for the third-stage of the launching vehicle and the satellite itself have not been awarded yet.

The first-stage rocket, says the Navy, will be a modified and improved version of Martin's Viking rocket, which set a World's altitude record for a single-stage rocket of 158 mi. in May 1954.

Presidential Board Recommends Rail Pay Boost

Railroad labor disputes are about the only ones to reach the White House these days. Almost inevitably, rail bargaining ends up in the hands of a Presidential emergency board for a recommended settlement.

In the latest case, a Presidential board has recommended a pay boost of 16½ an hour for 750,000 non-operating railroad employees. The action halts a threatened strike by the rail employees for at least 30 days while railroad labor and management bargain on the basis of the board's recommendation.



How to handle 230,000 volts in an 8" pipe

Safest, most reliable way known is Oilostatic. Now a well-known system, Oilostatic was considered a radical change from conventional practices when first developed by Okonite engineers in 1932. This self-supervising system can transmit huge blocks of power underground at high voltages—as much as 230,000 volts. Okonite paper-insulated cables carry the load in a steel pipe filled with oil, operating under a pressure

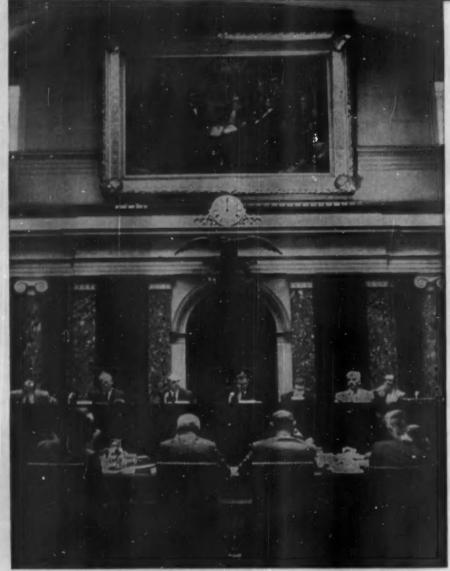
of 200 lbs. per square inch,

It is used extensively by major power companies where safe, economical high voltage transmission must be made in congested areas. With the use of higher voltages a definite trend, Oilostatic systems are specified more and more for important high voltage transmission circuits. The Okonite Company, Passaic, N. J.



where there's ELECTRICAL POWER

... there's OKONITE CABLE



A panel of economists (foreground) talks with legislators about . . .

New Theories Behind Taxes

"I seem to be sitting in on the funeral of an old friend of mine—the balanced budget," said Sen. Barry Goldwater (R-Ariz.) last week as the Joint Subcommittee on Tax Policy wound up a two-week discussion with 80 of the nation's leading economists and financial experts.

It turned out, though, that the economists hadn't killed the idea of a balanced budget. They had merely knocked it off its pedestal as an ideal in itself. Rep. Wilbur D. Mills (D-Ark.), subcommittee chairman, got one panel of economists to clarify this distinction.

Alvin Hansen of Harvard said he couldn't think of any prominent economist who thought that balancing the budget should be the primary aim of fiscal policy. Gerhard Colm, chief economist of the National Planning Assn., said he could think of one or two, "but it's nicer not to mention their names."

Dexter Keezer of McGraw-Hill Publishing Co. assured the committee that economists generally look at the over-all state of the economy as their guide to whether or not the budget should be balanced. Economists, he said, "have not entirely made a corpse of the balanced budget."

"I am glad to hear of the resurrection," declared Sen. Goldwater.

 Icons Fall—The sanctity of the balanced budget wasn't the only casualty of the economics discussion. The hearings also bruised other hallowed concepts: The primary purpose of taxation is to raise revenue. New view: The purpose is to attain broad social and economic objectives, such as economic stability or better distribution of income.

 The federal debt should be paid off, sooner or later. New view: As long as the debt is not growing (it's shrinking now as a percentage of gross national product), it may be useful in stabilizing the economy by countering the effect of cycles.

• To stimulate economic growth, you have to choose between cutting taxes on investment (the trickle-down theory) or cutting taxes on consumption. New view: You don't have to choose one or the other policy; there

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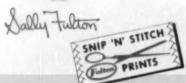




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TWO VIEWS: Donald B. Woodward (left), Vick Chemical Co.: "We want growth-we don't want to create conditions in which there will be inflation." Gerhard Colm, National Planning Assn.: "The government can't sit back and rely on built-in stabilizers."

are several ways to reach the same objective.

· Fiscal and monetary policy ought to be consistently inflationary or consistently deflationary. New view: Policies can be mixed to attain mixed objectives, can be aimed at growth as well as stability.

· Wide Agreement-The hearings were remarkable for the wide area of agreement among the economists on the broad outlines of a national economic policy.

They all seem to have gained confidence that wise use of government monetary and fiscal policies can save the U.S. from ever having another major depression. They have boldly set up new goals of national policy—not merely to avoid depression or inflation but also to maintain an ever-rising national standard of living.

I. Samuelson Doctrine

The most dramatic departure from economic philosophy of the past-without departing from economic devices of the past-was proposed by Paul A. Samuelson of Massachusetts Institute of Technology. Samuelson admitted that his doctrine might sound shocking, but' he assured the legislators that it springs from "careful use of the best modern analyses of economics that scholars here and abroad have, over the years, been able to attain."

The doctrine: "A community can have full employment and can at the same time have the rate of capital formation it wants, and it can accomplish all this compatibly with the degrees of income-redistributing taxation that it ethically desires.

Samuelson said he didn't have time to develop all the underlying reasoning or to go into all the qualifying details of his concept, but he offered some proof, including-probably for the first time in the history of Congressional committees-a mathematical formula to back up an economic theory.

· How It Works-Samuelson's argument boils down to this: For every level of federal spending and for every system of taxation that the country regards as desirable at a given time, there is an optimum combination of (1) availability and cost of investment money and (2) a tax level that will together lead to full employment and to any desired ratio of investment to gross national product. And, he adds, there can be various combinations of monetary and fiscal devices to maintain the investment and taxation levels.

For example, the nation may want to promote faster economic growth and, at the same time, build its tax structure so as to favor low-income families over high-income families. It can do both, says Samuelson, by:

· Stimulating investment by expanding and easing credit-through open-market purchases by the Federal Reserve, lowering of banks' reserve requirements, reducing terms for loans granted or insured by federal credit

· Increasing the total tax take and running a budget surplus. This offsets the inflationary pressures arising from the fact that the tax structure would bear lightly on "the ready-spending poor."

Similarly, says Samuelson, the American people could achieve any other set of objectives they want-by correctly blending the policies that economists have already fashioned.

· To Eat and To Have-Samuelson's doctrine reveals the possibility of giving the people of a nation the kind of economic climate they want. For most economists in the past, rapid growth has seemed to entail instability, with price inflation on the way up (indeed, some economists have viewed moderate inflation as in itself a major stimulus to growth) and downswings after the

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ALVIN H. HANSEN, Harvard: "Responsible fiscal management . . . fosters not a balanced budget but a balanced and growing economy."

peak. Stability, on the other hand, was often equated with stagnation.

Americans as a whole, however, have never been content with such choices. They have always wanted to have their cake of economic growth and yet to eat it in heavy current consumption. They have also sought to construct a tax system that would redistribute wealth to some extent but would not at all reduce the efficiency of the economy by distorting the best use of the nation's resources.

· Five Goals-Samuelson referred to five economic goals: (1) rapid growth, (2) high current consumption, (3) stability of employment, production, and prices, (4) fair distribution of goods and of tax burdens, and (5) productive efficiency. No one tax system or other economic policy can maximize all of these aspirations simultaneously, he said, but a society can aim at achieving an optimal combination of them by figuring out the best mix of economic policies.

· Already Trying-This, in fact, is what politicians and administrators have been trying to do in recent years. They have strived:

· To stimulate investment by accelerated amortization depletion allowances, carry-back and carry-forward of losses, relatively light capital gains taxes, and other tax devices.

· To keep consumption high by liberal credit policies, minimum wage laws, encouraging high-wage policies in industry, progressive income tax.

· To promote price and employment stability by Federal Reserve action, tax and budget policies, and strengthening the automatic stabilizers in the economy.

· To fulfill society's dream of

"equity" by adopting special programs to aid the farmers, the unemployed, the aged, and distressed regions.

· To improve the economy's cfficiency by giving play to the free price system as a means of allocating labor, capital, and land and by preserving opportunity for profits and competition, as a spur to innovators and venturers.

• Making It Official-In the sense that it makes theory of these things that have been done, Samuelson's doctrine -like many economic doctrines of the past-is to some extent saying: "What has been done can be done.

This doesn't diminish the usefulness or importance of the theory. The maker of economic theory is often like the novelist who develops a fresh theme: He tells people something they already knew without being wholly conscious of what they knew. Samuelson's doctrine clarifies the nature and causal relations of past actions and thus provides the basis for a better-informed policy in the future.

The importance of this accomplishment may stretch far beyond the U.S. borders. Since the Keynesian revolution provided a solution to the unemployment problem, the western world's chief economic puzzle has been how to promote economic growth

without incurring inflation.

II. Stein's Corollary

Like Samuelson, Herbert Stein of the Committee for Economic Development told the subcommittee that tax policy can be tailored in many ways to exert a desired effect on capital formation, economic growth, or inflation. He said that the old problem of whether you best stimulate growth by giving tax cuts to investors (the trickle-down theory) or to consumers is "not a real problem."

The tax system, he argued, influences investment by its effects on total demand (not just consumer demand) as well as its effects on investment return. These two kinds of effect, he said, are independent, and any desired effect on investment vield can be combined with any desired effect on total demand.

· Supposing-Suppose, for instance, you want to stimulate investment. You decide to do this by a \$2-billion cut in the corporate income tax (a tax on investment return). Is it then necessary to raise other taxes, such as taxes on individual incomes, by \$2-billion? Stein says no, not if your only object is to stimulate investment.

If, however, you also want to prevent inflation, you might want to raise other taxes, savs Stein-but only to the extent that the increase in total demand because of the corporate tax cut is in flationary, not enough to detract from its stimulus to investment or production.

The point at which such a corporate



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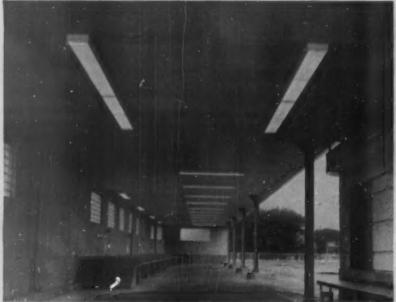
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EVERETT E. HAGEN, MIT: "Advance arrangement should . . . be made by law for quick change in tax rates in case of necessity."

tax cut would be inflationary would depend on the level of capacity and employment at which the economy was already operating.

Stein would keep the government's cash budget in balance during high employment and would handle the needed adjustments in total demand at that level by expanding or contracting the money supply from time to time.

III. Audience Reaction

It is too early to say what effect these flights of economic logic are having on the politicians at whom they are directed. It was evident in the course of the hearings, though, that the economists' views were getting respectful attention.

To observers in the hearing room, it appeared that some members of Congress have already accepted as commonplace the doctrines that would have been heresy in yesteryear, such as the idea that it's not important to balance the budget in any given year and the lack of concern over the \$280-billion national debt.

In this respect, the Joint Committee on the Economic Report, parent body of the Subcommittee on Tax Policy, is probably well ahead of the rest of Congress. Its chairman, Sen. Paul Douglas (D-III.), is a former professor of economics, and the committee has had years of listening to other economists, as well as to its own staff experts, Grover W. Ensley and Norman B. Ture.

 Beginning to Show—The effect of the economists' views on tax policy is already beginning to show in the evident switch in the Administration's thinking in the past few weeks. From an earlier



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Railroads



The 131 Class I railroads account for approximately 95% of the total railroad mileage of the U. S. They also earn 95% of the total operating revenue and represent just about 95% of the country's railroad buying power.



The preference of Class I roads for diesel-electric locomotives is apparent. The 1,118 new units put into service during 1954 included one steam locomotive, 15 gas turbine-electric locomotives and 1,097 diesel-electric units. Many of the gauges used on these diesels to show air, fuel and oil pressures and temperatures were made by United States Gauge Division of A. M. and M.



The world's rail speed record of 207 mph was established on March 29, 1955 by the French Railroad's BB 9004 electric locomotive on a 40-mile straight section of track between Bordeaux and Dax. Opening the windows at exactly the right moment provided the necessary drag to bring the train down to a safe braking speed.



One of the big headaches in railroad operation is the "hot box" caused by an overheated axle. But with the recently announced hot box detector, much of the trouble may be eliminated. Packing used in journal boxes is often reclaimed by washing in oil. The oil is then recovered and the packing impregnated for reuse in contrifugals made by Tolhurst Centrifugals Division of A. M. and M.



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attitude that it would back a tax cut in 1956, the Administration has shifted to an attitude of concern over possible inflationary consequences of such a cut and to a decision to wait at least until spring to adopt a policy.

The committee members appeared impressed by an economic doctrine, held so widely by outstanding men in the profession, that could so readily be turned around against either inflation or deflation, with no conflict to basic principles.

• Room for Disagreement-Although the economists all talked the same language on the general shape of national economic policy and the devices for promoting both growth and stability, there was still room for disagreement over questions such as these.

 Should a budget surplus be used for reducing taxes, for cutting national debt, or for spending on such things as education and slum clearance?

 If a downslide should start, should the government promptly cut tax rates or depend on the automatic stabilizing effect of a fall in government revenues while expenditures remain at the same level?

• If the decision is to cut taxes, should you do this as quickly as possible, on the basis of forecasts, or should you wait until the slide is clearly under way before taking action? If the answer is to wait, should you wait until unemployment has reached 3-million, 4-million, or what level?

• In using contra-cyclical policies, should you give equal or differing weights to stability in (1) production, (2) prices, (3) employment?

 Is the tax system too progressive or is it too regressive?

• Is it better to employ low-pressure economics (allowing more play for fluctuation in levels of activity) or high-pressure economics (which keep the economy always functioning at a very high level, at some risk of inflationary tendencies)?

• Should budgetary and fiscal policy be made more flexible (perhaps by making provision for discretionary changes in tax rates in the course of fiscal year if inflationary or deflationary tendencies develop) or should monetary policy alone be the reliance as the short-term, flexible instrument?

Obviously, the stand of economists on questions like these depends on their various political, ethical or moral, and interest positions and their varying appraisals of the short-term economic outlook. Yet the hearings in Washington gave evidence of a wider comprehension and agreement among economists and politicians on the role of tax and other policies in promoting the welfare of the U.S. economy. END





George Washington Bridge. NO-OX-ID applied to saddles and rollers in 1934 is still performing satisfactorily. Photo courtesy "The Port of New York Authority."

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Automation is forcing engineers to learn new tricks-and whole new fields. Here, engineers are puzzling over a new device designed to replace conventional relays. But this is only part of the education needed to produce . .

Engineers for Automation

Automation promises all kinds of wonders for tomorrow-from the fourday week to the pushbutton kitchen. But it is causing troubles today, particularly among people who are eager to put that magic word to work.

The big trouble is manpower. There simply are not enough men available who are trained to work and think in the area of automatic production.

Three kinds of men are needed. All

three must have some technical training, but the degree of training that is demanded differs markedly among those three. One is a maintenance man. Another is a systems builder. Both can be trained relatively easily for their jobs. But the third man is the pearl in the oyster. He is the combination engineer-scientist-mathematicianwho can design new systems for automatic production. He is the man who must create control systems for operations that have never been controlled

· Training-The manufacturers of industrial control devices can train their customers' maintenance men, and even their systems builders. The men in the picture (left) are going through such a training program. These men are engineers from several different companies. They are puzzling over a new industrial control device, called CYP-AC, which they will build into the control systems in their own plants. Westinghouse Electric Corp. makes these devices, and expects them to begin to replace, relays in industrial control equipment.

The big instruments manufacturerscompanies like Minneapolis-Honeywell, Leeds & Northrup, Taylor Instrument, and Foxboro-have the same job. Indeed, this has been the job of the instrument manufacturers for many years. One such school, conducted by Honeywell's Brown Instruments Div., Philadelphia, celebrates its 20th anni-

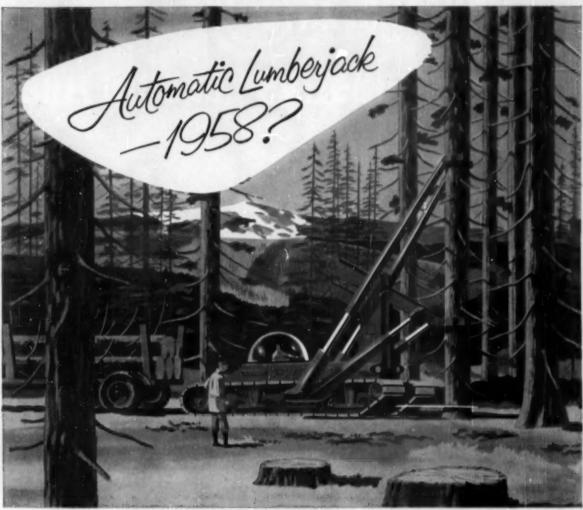
versary this week.

But the manufacturers do not supply the critical need for system designers. Their schools have multiplied since the war and they struggled to make room for every qualified applicant. Over the years, they have had a hand in the training of the great mass of technical people who now work in the field of control engineering. But the key man -the system designer-needs more training than any company program could give him. Even the colleges and universities, for the most part, are not equipped to offer the full range of courses the system designer must have.

• College Courses—The Instrument Society of America, the professional group in the field of control engineering, is alarmed at how few courses are offered at the undergraduate level to teach student engineers and scientists about modern instrumentation.

Last year, ISA looked around at 67 colleges and universities-including the nation's 20 largest engineering schools -to find out what the schools were doing about educating men for this new technology. In its report, Collegiate Training in Instrumentation in the United States, ISA said: "We find over-all that physical measurement by mechanical, electrical, and electronic means is being offered generally. But the dynamic concepts of modern automatic control, which integrate control systems with process design and operation, appear in only a few course descriptions."

ISA said that most students who want to prepare for a career in instrumentation must take electrical engineering. A few students can be handled in either the physics or acronautical engineering curricula, but



TOMORROW: To fell, section and load trees, the lumberjack of the future merely pushes buttons.



TODAY: Cool-running chain saw, like every type of power saw in use today, uses New Departure ball bearings for longer life at peak efficiency.

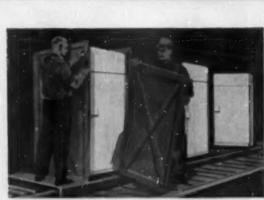
Even Paul Bunyan couldn't match the pace of this "automatic lumberjack" of the future. It fells, sections and loads trees—all at the bush of a button!

The company that launches this wonder will probably look to New Departure for ball bearings. For New Departures have proved their ability to hold moving parts in perfect alignment, cut wear and friction, and work long hours without letup—or upkeep. Above all, New Departure has lived up to its name—being first with ball bearing advancements... foremost in quality and engineering servicel

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Courage, Enterprise and New Keep Industry's Leaders Ahead



BETTER, LOWER COST APPLIANCES FOR MORE PEOPLE – a production miracle made possible by more efficient methods and machines.

The nation's leading appliance manufacturers meet competition's challenge with new Daniy Presses!

Here's a scene typical of the progress being made in leading stamping shape... the installation of long lines of giant 600 ton Danly Autofeed Presses. Here's the starting point for cutting production costs.

Danly Presses of Competition

Top appliance makers are building their multimillion dollar modernization programs around the cost-cutting advantages of Danly Presses

What does it take nowadays to keep a popular appliance line shead of its competition? The appliance industry's far-sighted and aggressive leadership is providing the answer with new modernization programs designed to increase output and lower production costs... employing new methods, new materials—and new presses! And more than ever before, the choice is Danly Presses.

Why the big switch to Danly! It's Danly's unique ability to start to work immediately without costly delays at installation . . . it's the capacity to produce more stampings per shift, consistently at reduced cost . . . it's Danly's remarkable record for uninterrupted trouble-free operation, month after month, requiring only routine maintenance. These are unprecedented accomplishmentsand important reasons for the growing acceptance of Danly Presses in stamping shops everywhere. Every Danly Press is actually assembled and pre-tested before shipment for faster erection and operation. Integral control systems make installation a simple "plug-in" job when desired. Automatic oil lubrication saves hundreds of hours of press maintenance. Danly's extra-rugged, proven design and construction give the reserve strength necessary to meet the demands of continuous peak-load operation . . . lengthen die life, lower production costs.

Does this sound like the kind of press performance you need to improve your competitive position? Then it's time for you to talk to a Danly engineer. He can give you the "dollars and sense" story that will prove it costs less to run a Danly Press!

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Danly's broad line offers all industry the right press to meet every modern mass production need



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Single, double and triple action in a wide range of press tonnages.

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Single and double action, from 50 to 3000 tons...right for every tough job.

It costs less to run a Danly Press



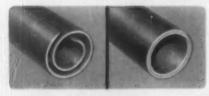
MECHANICAL PRESSES

DIE SETS - DIEMAKERS' SUPPLIES

Rugged, dependable earthmover, a familiar sight on highway projects across the nation, hauls tons of dirt quickly, efficiently, economically. The B Tournapull, a 23-yard-capacity, 30-ton-load unit, works in all underfoot conditions with no difficulty. Designed and made by LeTourneau-Westinghouse Company, Peoria, Ill. Uses Bundyweld for fuel and air lines—eight parts in all, totaling 59'5".



High-speed, high-powered earthmover relies on lifelines of Bundy Tubing



Bundyweld is the only tubing double-walled from a single steel strip, copper-bonded through 300° of wall contact. Its unique structure makes it amazingly strong and highly versatile.

Bundyweld is uniformly smooth, inside and out; in remarkably resistant to vibration fatigue. Lightweight, it has unusually high burst strength, can be fabricated easily, bends to shortest radii. HEAVY-DUTY construction equipment, like this powerful earthmover, naturally demands extra-sturdy, dependable tubing. That's why leading manufacturers specify Bundyweld Steel Tubing for vital oil, fuel, brake, and hydraulic "lifelines."

In fact, Bundyweld is the accepted safety standard of both the automotive and refrigeration industries; is used in 95% of today's cars, in an average of 20 applications each! (Exclusive design shown at left.)

Industrial designers the world over daily find new uses for Bundyweld, turn to Bundy for specialized engineering assistance in both fluid transmission and purely mechanical applications. If you have a tubing problem where high strength, flexibility, lightness, and costsavings are important, call, write, or wire today!

There's no real substitute for Bundyweld Tubing

BUNDY TUBING COMPANY

DETROIT 14, MICHIGAN



MINNEAPOLIS HONEYWELL has been teaching engineers about controls for 20 years.

there are not many schools that offer these.

"However," said ISA, "an equally powerful need for this type of course exists in the mechanical and chemical engineering fields. It would be desirable to find a more equitable spread of courses in modern instrumentation in these other fields.'

· How Many?-According to Control Engineering, a McGraw-Hill publica-tion, some 2,000 academically specialized control engineers are graduated each year. Most of these men hold degrees in electrical engineering. But many more than those 2,000 are coming into the field each year. These come as specialists in design, production, or

process engineering.
Donald P. Campbell, one of Massachusetts Institute of Technology's experts on automatic processes, warns that there must be changes in the way in which these control engineers are educated. Campbell says that the changes that must be made in processing cannot come about without basic changes in our procedures for training control engineers.

"First of all," he says, "the mathematics given in engineering curricula are inadequate to cope with modern process dynamics. It is necessary to understand more than differential equations and a bit of operations calculus. Most of the difficult problems in mass transfer, chemical reaction kinetics, and nuclear reactions have their explanation in statistical mechanics. We must put the engineer's roots for studying basic process dynamics deep into modern physics."

Campbell says that the control engineer must be willing to break with tradition: "He must consider making steel in solar furnaces and chemicals inside nuclear reactors. He must be willing to make production processes expendable instead of obsolete."

· Fuzzy Boundaries-To one who thinks of control engineering as merely the job of keeping a process in check, Campbell's words might well sound ambitious. But the fact is that control engineering is a lot of different kinds of engineering, plus mathematics and physics. The field of control takes in detection of information, handling of information to produce elementary decisions, the actuation of correcting devices such as valves or variable speed motors, and-most important-the effect of the correcting device on the operation that is to be controlled.

If you want to mechanize those four control functions, you must have instruments that will make measurements, computers that will combine those measurements and then make the decisions that the computers have been instructed to make. Also, you must have valves, motors, pumps, plus a complete knowledge of the dynamics of the operation that you want to control.

· Breakdown-It is the creative engineer who will fit all of these elements into an integrated system. This is the man that Campbell is talking about



Faster getaway for Greyhound

When Greyhound buses need fresh horsepower, Bassick "S99" casters roll to the rescue. These economical heavyduty steel casters equip the mobile mounting device (above) which slides under the rear of the bus and rolls away the engine for repairs.

A fresh engine from stock is guided back into position the same way, connected in place-and the Greyhound is ready to continue its trip.

"S99" GIVES BEST SUPPORTING PERFORMANCE

Bassick's 8" series "S99" caster has a 21/2-inch tread wheel that will carry 1500 pounds (and more) safely and economically-the reason it was picked to handle the heavy Greyhound engine. Doubleball race design permits easy swivelling, and grease retainer cup prevents loss of lubrication, assures longer life.

For lighter loads, Bassick's "H99" medium-heavy-duty casters offer the same basic features and construction.

3-D CASTER CAN'T DRIP GREASE

Bassick's new "3-D" caster stops the triple threat of lost lubrication with new sealed bearings. There's no danger to bearings, no hazardous floors, no lost maintenance time. Bassick distributors have them in stock. THE BASSICK COM-PANY, Bridgeport 2, Conn. In Canada:









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33 years of experience with cylinders and compressible agents may help to save you time and money!

Ever since they produced the first CO₂ commercial portable fire extinguisher more than 30 years ago, Kidde engineers have probably learned more about high pressure containers and compressible agents than any other group in the world.

Working with brass, copper, stainless steel, aluminum and lightweight fiberglas, Kidde has produced a host of containers in more than a hundred different sizes, in shapes ranging from cylinders to spheres.

Over the years, Kidde high-pressure containers have been used the world over, in military and commercial aircraft, on all types of ships, in industry, transportation, and in the home. They help in nearly everything from giving hydraulic or pneumatic boosts to putting out a raging fire.

Kidde's vast knowledge of high-pressure containers and compressible agents might very well solve a gas or liquid storage problem for you. This knowledge is yours for the asking. Write Kidde – specialists in *Creative Engineering*.





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The words 'Kidde', 'Leu', 'Leu-Q-Metic', 'Pyre-Frees' and the Kidde seal are tradsmarks of Welter Kidde & Company, Inc.

when he says that engineering training must go deeper into mathematics.

ISA agrees. In its study of college training in the field, ISA found that about 1,000 courses were offered that could be classed as courses in control engineering. But, complains ISA, nearly one-third of them are survey or descriptive courses that offer little more than descriptions of "the hardware."

At the applications level, where engi-

At the applications level, where engineers and technicians put together the "hardware," the need for a strong background in mathematics is not so great. This is where the equipment manufacturers take over with their courses.

Few of these courses require any particular degree of formal education as prerequisites. Instruction usually ranges from high school level to early college level.

But there is a lot of ground to cover. Generally, the manufacturers offer training-which might run for a few days or a few weeks-at three levels: maintenance, operation, and application. Some go beyond that and give introductory courses for management people in such things as principles, philosophy, and general description of electronic computers. The computer manufacturers, IBM, RemRand, and ElectroData Corp., plus a few others, conduct fairly extensive courses in programing and operation, both for scientihe problems and for business problems. · Technical Societies-In addition to the work being done by the equipment maaufacturers and the colleges to educate men in the field, several of the technical societies have set up special summer courses and evening courses. Such courses have been set up by the American Institute of Electrical Engineers, the American Society of Chemical Engineers, and the American Society of Mechanical Engineers.

The Instrument Society of America now conducts maintenance and operation clinics at its national meetings. Here, manufacturers of industrial instruments and controls make personnel available from their teaching staffs to answer specific maintenance and operation problems.

Certain leaders in the field have been urging the technical societies to take on an additional assignment. This group believes that the high-level training, particularly in mathematics that isn't offered students in most engineering schools, should be made available through the technical societies.

Those who propose this plan argue that the engineer should be permitted to carry a normal program in whatever field he is studying—be it mechanical, chemical, electrical, or another engineering specialty. Then, from the technical society, he would supplement his specialty training with a heavy dose of mathematics and physics.



"Panel . . . give me a common denominator for all these"

Electricity? That's common, all right, but not the exact answer.

Communications? That's close—if you add a "plus."

The most correct answer lies in the single word, Ingenuity. Each of the items on the MC's desk represents a Stromberg-Carlson product for business or social usage—with the added common feature that each has in it some clever "twist" which makes it especially desirable.

The telephone, for instance, can be converted from desk to wall mount in minutes; its dial has a dust-proof cover; the mouth-to-ear distance of the handset is scientifically planned; and the 'phone can be had in 8 modern colors.

That television console contains our standardized chassis, the famed "Power X," available in any one of twelve beautiful cabinets. We give our customers

variety in decoration, but we insist on the one receiver chassis we know is the best.

Just as science created a low-cost replacement for the silk worm, so has Stromberg-Carlson designed a carillon which produces bell music without using costly cast bells.

The school communications system provides modern, efficient paging, alarm and intercom services even in buildings decades old. The radio transmitter and receiver set is designed to operate under combat conditions in a bouncing Army jeep or truck.

That's the Stromberg-Carlson approach to any product or problem—to be impatient with "traditional" do's and don'ts, and look always for the solution which is newest, most practical and yet economical, too.

Can we tackle whatever's puzzling you?

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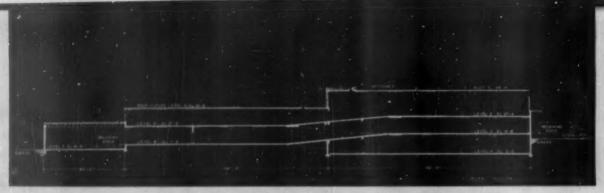


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In this multi-story warehouse ramps—not elevators—move goods up and down as . . .



Tractor trailer units make the rounds picking up and delivering merchandise.

Look, No Elevators

The building shown in the pictures is a warehouse for the Jordan Marsh stores in Boston and vicinity. But it is different from most multi-level warehouses—it doesn't have any elevators to carry merchandise up and down between floors.

The concrete building located at Newton, Mass., has a atorage area of more than 500,000 sq. ft. distributed on six floors. The floors are arranged on split levels with ramps connecting the levels, as in an automobile parking garage.

The elevatoriess multi-story structure was designed to get around several warehousing problems:

 When orders are to be filled from a large number of different items, it is uneconomical to spread the large area needed for storage over one floor.

 Handling merchandise between multiple levels is often inefficient and costly if elevators provide the vertical transportation.

Designer David J. Griswold, Minn-capolis, Minn., used ramps in a multi-level building to solve these difficulties.

• Moving the Goods—Small tractors pull trains of trailers over the ramps to transport goods from level to level. They pick up the material at receiving zones and cart it to the particular area in the building where it is to be stored. There, the trailers are unhooked from the tractors, and operators with material handling equipment, such as lift trucks, position the merchandise.

Selection of merchandise for ship-

ment to stores is handled by personnel in the different sections who place orders onto empty trailers. Tractor units circle the building, delivering incoming merchandise and picking up trailers filled with outgoing goods.

• Interior Design—Metal panels are used instead of masonry to cover most of the structure's wall area, climinating danger of moisture, which is damaging to furniture and appliances stored in the warehouse. The building contains only a few windows and these are used mostly for ventilating employee facili-

Plastic domes let in some natural light over main traffic aisles and mmps. The building's only elevator is for employees, but is sometimes used when special handling is required. **BND**



Toys of ALATHON ...

are safe, attractive and practically indestructible

OF THE MANY SOUNDS that children make, two have long been familiar—the squeal of delight that greets another new toy—and the wail of disappointment when another toy is broken. Fortunately for all concerned, however, toys are now being made of "Alathon" polyethylene resin. These toys—such as this tea set manufactured by the Ideal Toy Corporation, Hollis, New York—not only pack a load of

"child appeal" but are practically indestructible as well.

Du Pont "Alathon" is an ideal material from which to make toys. It can be economically molded into complex shapes and is water and shock resistant. Tasteless, odorless and non-toxic, "Alathon" is strong even in thin

The possible applications for "Alathon" are many. Because it is col-

orful and shatterproof, it is ideal for housewares. "Alathon" can be extruded into film, pipe and wire jacketing. The excellent electrical characteristics and high chemical resistance of "Alathon" recommend its use in industry.

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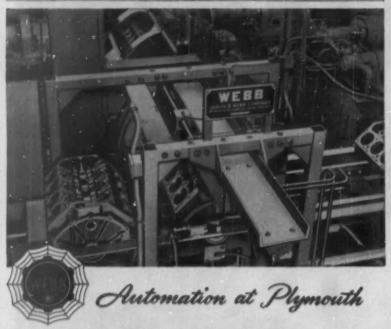
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CONVEYOR ENGINEERING, MANUFACTURE, INSTALLATION and AUTOMATION



A high degree of automation was designed by Webb engineers into the production line for Plymouth engine blocks. Pictured above is a section of Webb special transfer equipment that moves engine blocks from left to right along the production line in the foreground. This transfer device also automatically shunts blocks into any one of three spurs which feed precision boring machines. Blocks leaving these machines converge into a single line for automatic transfer to gaging station.

Included in the automatic equipment are twenty-two Webb designed turntables which index the engine blocks 90° on the horizontal axis for another machining operation. Also, Webb engineers designed twenty rollover stations where engine blocks are automatically rotated 90° or 180° on the vertical axis to put them into position for the next machining operation. Automatic control panels for these devices were designed and built by Control Engineering Co., a subsidiary of Jervis B. Webb Co.

In engineering the layout for the new engine plant, Plymouth's goal was to obtain flexible and continuous production flow with a minimum of manual handling. In addition to above automation equipment, there are four miles of Webb custom engineered conveyors, divided into 26 integrated conveyor lines that achieve Plymouth's goal.

This installation is another example of how manufacturers are turning to Webb conveyor engineers for automation and answers to their materials handling problems.

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Magic Alloy

In temperature changes, it neither stiffens nor relaxes. it makes stratospheric parachuting safer.

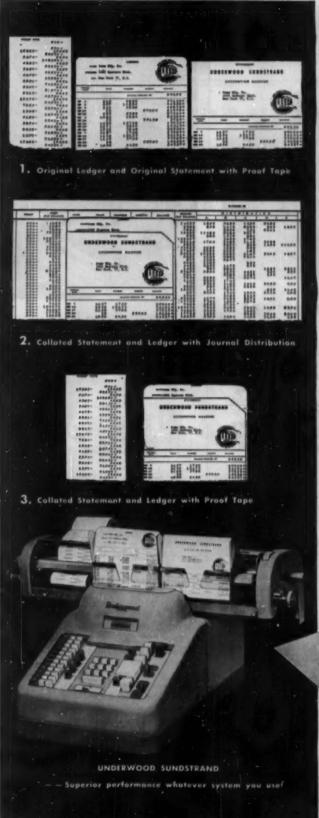
When a jet pilot bails out of his plane at a great height, he faces more than the ordinary hazards of parachute jumping. He may become unconscious and unable to pull the rip cord. Even if he isn't, he has to judge when it's safe to open the parachute. If the chute opens too soon, he may suffocate or freeze.

The ideal is a mechanical device that would automatically open the parachute at an altitude where the air can support life and where the exposure to cold won't last too long. The difficulty is to get a reliable device. An ordinary timer won't work; bail-outs occur at varying heights. And most gadgets that measure air pressure are inaccurate under temperature changes.

However, the black box in the picture is said to do the trick. Packed with the parachute, it senses the altitude and pulls the rip cord when the pilot has fallen to a safe level.

• New Alloy-The secret of the device is a set of three tiny diaphragms that are sensitive to changes in air pressure but not to temperature changes. They are made of a new alloy of nickel, chromium, iron, and titanium-Ni-Span C-made by H. A. Wilson Co. of Union, N. J.

The chromium has the property of becoming stiffer as the temperature drops; the iron-nickel alloy becomes stiffer as the temperature rises. In proper balance in the formula, they produce an alloy that retains the same elasticity from -90F to 240F. Titanium is added to permit the alloy to be heat-treated.

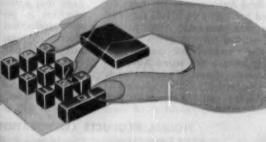


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High speed, 10-key operation! With Underwood Sundstrand's 10-key keyboard operators turn out work faster, with greater accuracy. Easy to learn, eliminates "headswing" fatigue.

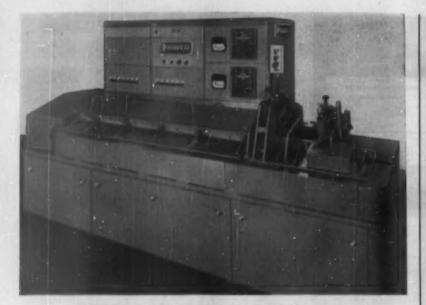


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Eli Whitney Never Called It Automation!

In 1794 when Whitney invented an automatic machine, the cotton gin, he hadn't heard about Automation. He invented gages, too, but left it to Federal to invent gages many years later for automatic dimensional control. Even then, nobody talked about Automation.

It doesn't matter what you call the automatic way of working. The important thing is how you meet its challenge. Contrary to commonly held impressions, automatic methods are not alone for the mammoth transfer machine operations of the automotive industry. We know, for we're regularly making successful installations, both large and small, in widely diversified industries. Federal Automatic Gages today are used profitably on a full range of products from refrigerator pistons to railroad car axles.

Our experience goes back long before the word Automation was coined. We work closely and successfully with machine tool builders to provide gages that conform to the capabilities of their machines. Our engineers provide various degrees of control on existing machines in the field and also work in close collaboration with machine designers to provide gaging and coatrol units built into the manufacturers' original machines.

Today many producers are profiting from Federal Automation Gages. They are cashing in on the broadest knowledge and most unbiased thinking in the dimensional control field. Federal engineers are widely experienced in the capabilities and limitations of mechanical, air, electric and electronic gages . . . and play no favorites. Their goal is the development of the one best gage for any job, in the fastest time at the lowest cost. Whether it's an electric gage that automatically adjusts a machine to prevent out-of-tolerance production, or a conveyor-fed electronic gage that sorts 19,500 pieces an hour, the chances are that the right Federal gage pays for itself in a year. That's really making automation pay! Ask Federal first for recommendations. Write or call us today.

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NEW PRODUCTS



Machine Signals Flaws In Steel With a "Beep"

The American Society for Testing Materials—a national society that establishes standard testing procedures—requires that stainless steel be tested by destructive tests on sections from each lot. Now, a machine that operates magnetically is said to surpass the ASTM test standards without destructive testing.

The machine, produced by Magnetic Analysis Corp., New York, is being used by Carpenter Steel Co.'s Alloy Steel Div., Union, N. J. It checks the quality of non-magnetic grades of stainless steel tubing and rods at a speed of 250 ft. per minute. The unit inspects the inside and outside surfaces of tubing along the full length and periphery.

• How It Operates—Lengths of tubing are placed on power-driven rolls that shoot it through the black coil, shown in the center of the illustration. Whenever a flaw is present, the instrument signals it by a flashing light and a loud "beep." The operator then stops the rolls, pushes the tube back into the coil until the beep occurs again, and marks the spot with crayon.

Among the defects that the testing unit will detect are faulty or porous welds, scratches, cracks, and even so-called weepers (tiny holes in the steel that are so small that several hours under high hydraulic pressure are required to force a drop of water through them). It also signals variations of as little as 3% in wall thickness, under suitable conditions.

The tester will give a continuous

BICARBONATE OF SODA FIERCE FIRE FIGHTER

Photo courtesy of Annul Chemical Company

Bicarbonate of Soda is much like a red-haired Irishman. It can be mighty pleasant . . . or mighty tough if the situation requires it.

In its gentler nature, great quantities of Bicarbonate of Soda are used as a baking soda ... and for various medicinal purposes including the familiar "bicarb" to relieve upset stomachs.

But in its tough role, Bicarbonate of Soda is one of the fiercest flame killers. It helps save countless lives every year and untold millions of dollars in fire damage.

In many well-known dry chemical extinguishers, Bicarbonate of Soda is the vital ingredient. It is specially treated with other chemicals to make it water repellent and free-flowing. When this fine powder is blasted out of its container and hits a fire, the flames are smothered within seconds . . . even when produced by savagely flammable products like gasoline, oils, gases and greases.

So, the next time you see Bicarbonate of Soda, remember it's a good friend of yours in more ways than one.

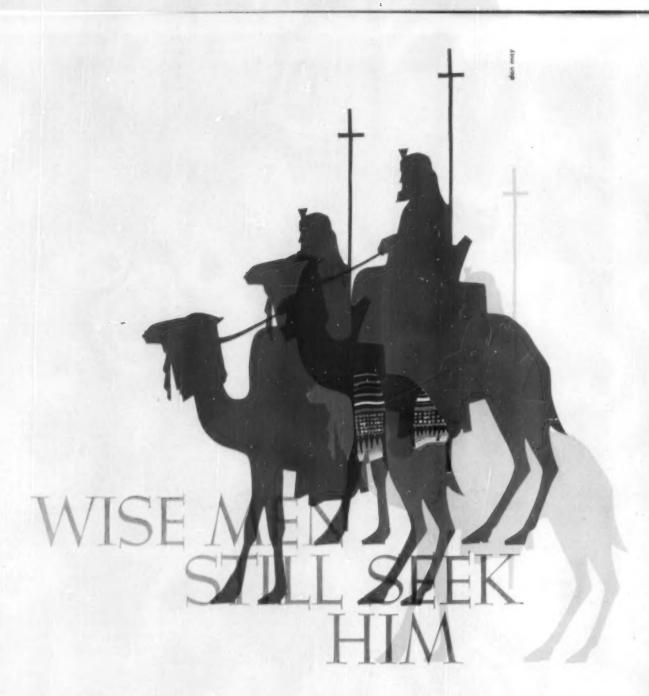
As a world leader in the production of alkalies, Columbia-Southern is, of course, a producer of large tonnages of Bicarbonate of Soda.



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CHLORINE, ALKALIES AND RELATED PRODUCTS . OFFICES IN PRINCIPAL CITIES



* * Moses sought Him on a mountain; St. Augustine in his books; Washington at Valley Forge; Albert Schweitzer in the heat of the African jungle; President Eisenhower in his own heart and the hearts of his people; Konrad Adenauer in the Cathedral of Cologne. * And one cold night long ago the Wise Men found Him... and Angels singing, "Glory to God in the highest, and on earth peace to men of good will."

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AROUND

THE WORLD

Hilton Hotels

CONRAD N. MILTON, president

signal if a steel having a different size or composition than that intended is inserted. Depending on quality requirements, the machine can be set to ignore defects below a certain magnitude.

The machine can now handle tubing with a diameter of up to 3½ in. and wall thickness of 0.07 in. The company says it is trying to step up the machine to handle larger dimensions, and that inspection speeds may be doubled in the near future.

The machine uses a magnetic field during inspection, and so cannot be used on magnetic grades of steel. However, the testing will probably work for brass and copper tubing.

The machine is available on a rental basis for about \$250 per month.

• Source: Magnetic Analysis Corp., New York.



Gobbles Up Dirt

This jeep, equipped with a 6-in, suction hose, has a big appetite for litter. It was adapted by the Washington Sanitation Dept. to clean the city's streets. Now Willys Motors, Inc., of Toledo is producing them on a commercial basis.

Dual controls are provided, so the driver can slide to the right side and keep an eye on the cleaning. Power for the suction comes from a 4-cyl. auxiliary engine, which also runs a machine to pulverize debris. Clean sweeping is aided by a heavy wire brush next to the hose snout, which dangles from the right side of the vehicle. The rig is said to clean gutters six times as fast as a man with broom and pushcart.

• Source: Willys Motors, Inc., Toledo, Ohio.



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Polyethylene has worked its way into the field of medicinal ointments. E. R. Squibb & Sons, New York, is producing ointment bases containing polyethylene for use by pharmacists in compounding prescriptions. The plastic holds together the petroleum jelly with which it is mixed.

A plastic container for blood eliminates the turbulence and foaming that occurs when blood is drawn in a glass bottle. Produced by Fenwal Laboratories, Framingham, Mass., the polyvinyl chloride bag can be squeezed to infuse blood into patients more quickly in case of emergency.

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MANAGEMENT

How Good an Operator Is Cash McCall?

MERICAN INDUSTRI

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THIS WEEK, Cash McCall, a novel about today's business world, moved into fifth place on the New York Times' best-seller list.

Last week, the book's author, Cameron Hawley, moved into the spotlight himself (picture, left). As a speaker at the National Assn. of Manufacturers' 60th congress, Hawley discussed what he called the essential theme of his novel: the deleterious effect of the current tax structure on the morality of businessmen.

• Popular Image—Cash McCall probably will be read by millions—and, if it's made into a movie, it will be seen by millions, too. So it is an important book—not in the literary sense of "important"—but in the sense that from this book countless people will get their first, and perhaps their only impression of how one type of businessman does business today. In their minds the fictional Cash McCall could become the mirror image of many of today's businessmen.

Thus, questions naturally arise: How realistic a figure is Cash McCall? How authentic are his operations? Has he a moral outlook on what a businessman may do to make money?

To get the answers, Business Week asked those questions of a panel of businessmen representing a wide variety of backgrounds and experience. Those who answered included:

 Frank W. Abrams, former chairman of the board of Standard Oil Co. (N. J.).

Courtney C. Brown, dean of Columbia University's Graduate School of Business.

Harry A. Bullis, chairman of the board, General Mills, Inc.

 William C. MacMillen, Jr., president of Chesapeake Industries, Inc.

• Sydney Prerau, director, J. K. Lasser Tax Institute.

• E. Everett Smith, partner, Mc-Kinsey & Co.

• Louis E. Wolfson, chairman of the board, Merritt-Chapman & Scott.

There's little doubt in the minds of these men that Hawley, a former vicepresident of Armstrong Cork Co., has written a timely novel.

It's Hawley's second novel. His first, Executive Suite, was a best-seller three years ago and was sold to Hollywood for \$250,000 (BW-Dec.6'52,p102).

• The Modern Operator—Cash McCall, the central character in Hawley's new book, is "an operator, a raider, a man who has made millions by trading in corporate properties." He has a network of holdings and a string of high-powered retainers. He buys up companies in difficulties, doctors them, and sells them after he has raised their value. On these sales he makes heavy profits that are taxable only at a capital gains



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E. Everett Smith, McKinsey & Co.: "Business as a theme is gaining."



L. E. Wolfson, Merritt-Chapman & Scott: "Hawley has done a superb . . . job."



Frank W. Abrams, retired executive: "I hope Mr. Hawley . . . will try again."

rate of 25%. He does not run the refurbished companies for operating income because, being in a high tax bracket, he would lose to the Bureau of Internal Revenue up to 91% of any declared dividends.

This consciousness of tax loopholes governs almost all of McCall's business operations. So, if you accept the letter of the law as the boundary of honor, McCall is an honorable businessman.

• Passionate Author—The question of business morality in these circumstances runs right through the novel. Hawley himself does not believe that whatever the hiw allows is moral. In his NAM talk last week he bitterly attacked the federal income tax structure, calling it a "cancerous growth that threatens to strangle so many of the concepts basic to our whole way of life."

"As our tax structure now stands," he said, "we are forcing men away from doing the things we all know are morally right, and just, and sound. And we are forcing them to practise the evasions and circumventions that the [tax] code actually encourages.

"In some ways the situation is not unlike the one that arose during Prohibition, when a general breakdown in morality and ethics became more serious than the simple illegality of alcoholic beverages."

Cash McCall, as Hawley takes him through the novel's plot, is beginning to do a little soul-searching about the businessman's morality vs. legality problem. Successful as he is, McCall is puzzled that so many people fear or hate him. He is pointed out as a "fast-buck boy" with the implication that he is something of a shady dealer.

As the pressure of his problem increases, McCall muses: "We have a peculiar national attitude toward money-making. We maintain that the very foundation of our way of life is what we call free enterprise—the profit system . . but when one of our citizens shows enough free enterprise to

pile up a little of that profit, we do our best to make him feel he ought to be ashamed of himself."

• Prodigal Returns—By the end of the book, McCall is beginning to feel a little ashamed of himself. He's not sure why. But he does begin to reconsider his philosophy of letter-of-thelaw money-making.

Is a man who operates like Cash McCall believable? Is his philosophy moral, immoral, or just amoral? What will the public think of business after it reads this novel?

That's what BUSINESS WEEK asked its panel of businessmen.

I. Is He Believable?

The majority of nusiness week's panel gives a firm "No" on the score of whether McCall is a believable character. They feel that Hawley has made the corporate operator an exaggerated character.

The sharpest criticism comes from Chesapeake Industries' William Mac-Millen, president of a corporation that has shown a flair for holding company and tax loss operations. Says MacMillen: "I don't think we'll ever meet a man like Cash McCall. He is portrayed as being perfect. He has all the 'good' characteristics—no 'bad' ones, and he never makes a mistake."

• Too Clever-Columbia University's Dean Brown is less vehement. He says: "It was my impression that [the book] dealt with an identifiable type, but attributed to him a bit more cleverness than I have observed-and a bit more influence as well."

more influence as well."

General Mills' Harry Bullis gives author Hawley a little more benefit of doubt. "From the average individual's point of view," he says, "Cash McCall's operations undoubtedly sound fantastic. However, there are many examples of empire-building in the history of business. Therefore, while McCall's operations do not by any means represent the general run of business, they are not entirely unrealis-

tic. They are within the realm of possibility."

But from Louis Wolfson comes this comment on the fictional Cash McCall's operations: "If not typical, they are surely realistic."

II. Is He an Outcast?

For the most part, BUSINESS WEEK'S panel is willing to waive further discussion of Cash McCall's somewhat heroic abilities in order to probe wider issues. Plenty of these were raised by the novel.

McCall appears essentially as lone operator, aided now and then by a retinue of smart legal, tax, and "private-eye" specialists. Is it his individualism that drives him to promote deals of questionable morality? Is author Hawley saying in his novel that the average company has no place for such rugged individualists as Cash McCall?

Management consultant E. Everett Smith believes that Hawley is implying just that. And Smith is deeply concerned by what could result from a trend among personnel specialists in large companies to reward conformists and penalize individualists. If the personnel specialists are tending to do that, then we are headed for trouble, Smith

The distinction drawn throughout Cash McCall between the individualist and the company man also disturbs Frank Abrams, former board chairman of Jersey Standard. But he sees it in a rather different light. "The individualist seems [in Hawley's book] to be the man of ideas who performs miracles in reorganization, and the company man the plodder who makes little or no contribution to the larger scheme of things.

"My experience," says Abrams, "is quite to the contrary. The company man, I have found, is the man who likes to serve a good cause to the best of his ability, and is content to prosper with [his company]. The individualist



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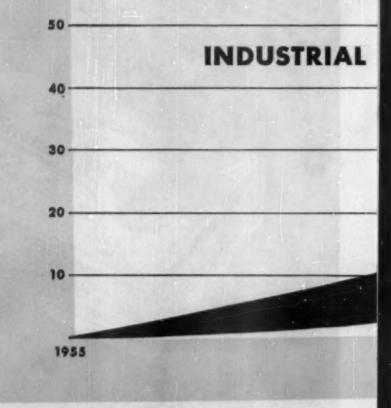
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WITH INCREASED EMPHASIS ON AUTOMATION ...

"Accent on maintenance" becomes industry's

It's no secret that American industry today is making giant strides into a new era-marked by the increased use of automatic machines, more ? Atinuous process methods, and a greater application of electric power per manhour. This era of automation is a result of the sharpening of competition, requiring more production from existing equipment, better methods for making better products, and better machines to do more work at less cost.

- · Taken for granted-But all this is focussing new attention on a production factor hitherto taken for grantede. For as more automatic machines are introduced to quicken the production tempo, and to make up for limited available manpower and to reduce product cost, the maintenance function assumes a far greater importance. As one indication of this, the cost of all industrial maintenance in 1952 was over \$11 billion, while by 1965 it is estimated to reach \$22 billion annually.
- Production demands—Present and future production demands require the training of highly skilled and well planned maintenance to prevent idle machinery and profit-

eating downtime costs. The ultimate aim of any maintenance program is to reduce unit cost of goods sold; therefore, planned maintenance helps the manufacturer do this by getting the maximum use from his equipment and reminding him to make modifications or renewals on a planned rather than a hit-or-miss basis. With this trend towards automation, today's stepped-up production combined with increased labor, materials and equipment costs dictates a scheduled maintenance program.

- Maintenance not ready—On its present scale, maintenance cannot successfully cope with the staggering job ahead. To back up the abilities of maintenance men and their effective use of tools and materials, management too must apply to maintenance the same skill, brains and capital investment that have so strikingly improved production planning and techniques. In fact, with automation, production itself depends largely on the proper planning and execution of equipment maintenance.
- · Involuntary shutdown-It must be remembered that an emergency downtime during production not only results in

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AUTOMATION MUST FILL THIS GAP

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1965

key to all future production planning

lost production and profits, but also forces upon labor an involuntary layoff; therefore, machinery equipment failure is as disastrous for all when it occurs on a production line geared for high production with a large degree of automation. Again it comes down to the question of maintenance. Does management wait for a failure then apply maintenance on a put-out-the-fire basis or does management put into effect good maintenance practices, scheduling maintenance at times most convenient to the production line. Scheduled maintenance minimizes the "dollar" loss. Naturally all emergency shutdowns cannot be eliminated, but Productive Maintenance can and is reducing such situations.

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is that management and maintenance must join forces in a
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Harry A. Bullis, General Mills: "It reveals . . . ethical questions."

is quite apt to be a self-seeker . . . he will switch allegiance from company to company, and seems mainly concerned with personal power and the trappings of wealth."

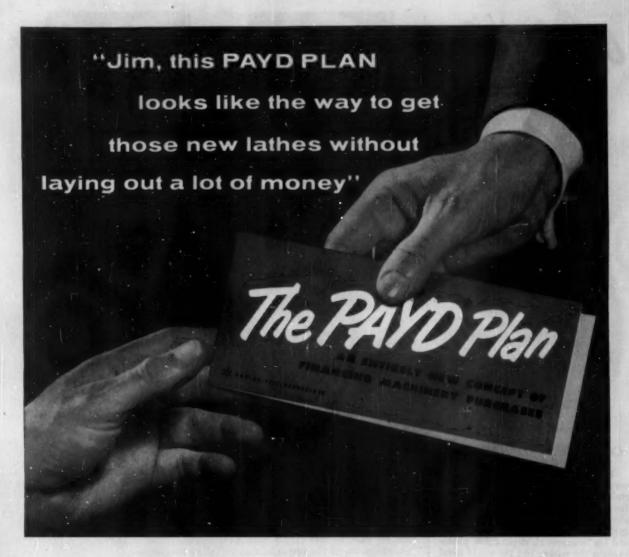
• Individualist's View—A third and different view on the distinction between individualists and company men comes from Louis Wolfson. He, for one, thinks U.S. business needs more individualists, as long as they are honest, intelligent, and aggressive. "As important to a sick business as a doctor is to a patient, a McCall's skill renders a triple service through the curative process—he brings health to the stockholders, the employees, and the community," he

Wolfson, like Cash McCall, finds a paradox in the public's suspicion of even transparently honest men who make a lot of money rapidly. "Considering that the free enterprise and profit system of our country is intrinsic in our concept of democracy . . . it is rather astonishing how easily . . . the citizenry can be seduced by the Communist concept that profit and the accumulation of wealth are some sort of crimes against society."

And in a rueful aside he adds: "Bitter experience has introduced many of us to leaders in civic, industrial, and professional life who are willing, for the sake of personal profit, to encourage our Cash McCalls, but who do not have the fortitude to defend them publicly when special situations arise and their lovalty might be helpful."

III. Is He "Right"?

Overlying that issue of individualism vs. conformity throughout Hawley's novel, is the issue of morality vs. legality in today's business operations. Always the issue comes up when Cash McCall plans his maneuvers within the structure of the tax code. Throughout the book Hawley preaches the theme that "bad laws make bad men." His implication here is that if business' present preoccupation with tax avoidance isn't already getting a lot of otherwise honest



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Courtney C. Brown, Columbia: "No longer is the prototype an ogre."

people into moral difficulties, then it soon will.

• New Gauge of Success—But at least one member of BUSINESS WEEK'S panel disagrees firmly with that theme. He is Sydney Prerau, director of J. K. Lasser Tax Institute.

The courts, Prerau points out, have stated repeatedly that every taxpayer—individual and corporate—may cast his transaction so that he will have to pay only the lowest tax. That McCall does this should not be to his discredit. "The gauge of success is net profit. So, if he is to lead his competitors, a successful businessman must today do a better job in tax accounting just as he must 'in production, distribution, and sales," says Prerau.

Because Hawley's novel makes this plain, says Prerau, "I welcome Cash McCall as the long-awaited layman's realization of this fundamental change in our business economy."

Chesapeake Industries' William Mac-Millen goes along with Prerau's view of operations within the tax laws. To back his view he says simply that it's "the obligation of the corporate executive to his shareholders to use whatever advantage the tax laws provide to minimize his company's taxes."

No Time for It—But Frank Abrams

• No Time for It—But Frank Abrams has another view of the question. He says: "My business experience has been . . . relatively free of the tax manipulations and promotional shenanigans that seemed the chief concern of the principal characters of this book. Perhaps I have been insulated from some of the facts of smaller business life, and if so I can now, in retirement, appreciate how fortunate I have been."

Management consultant Everett Smith feels some of these "shenanigans" were highly questionable practices that put management consulting in an unfavorable light.

McCall's masked ownership of a management consulting firm (which also surreptitiously bird-dogs for possible McCall acquisition) and his hidden control of a business detective agency (which deviously digs up personal back-



W. C. MacMillen, Chesapeake Industries: "Cash McCall . . . is . . . unbelievable."

ground information), both strike Smith as leaving something to be desired. Smith further questions the amount of formal espionage woven around McCall's moves, "the effectiveness of which appears to be highly exaggerated."

IV. How Will Business Fare?

One final point, mentioned by several of BUSINESS WEEK'S panel members, bears noting. They find that Hawley has succeeded in making his businessmen act like men—not like puppets dangled on strings of dollar bills.

For this, the panel is thankful. It was, the panel members felt, about time somebody tried to make a businessman come alive with something like a sympathetic portrayal in terms understandable, human, and recognizable to the general reading public. Even if Cash McCall did seem to be somewhat taller than life size, the panel felt Hawley's delineation of his character was a big improvement over the weak caricatures of businessmen other authors have drawn.

• No More Ogres—Columbia's Dean Brown says he's happy to see that the literary prototype of a businessman is no longer "an ogre reaching out unscrupulously with his many tentacles. Even an aggressive fellow like Cash Mc-Call is now portrayed as an individual with the impulses, strengths, and weaknesses that go with being human."

Frank Abrams recognized this attempt to humanize businessmen, too. But he felt that because McCall gives no real evidence of changing his philosophy until six pages from the end of the book, it came "a trifle late for reader conviction."

This late change of philosophy doesn't bother General Mills' Harry Bullis. Of the whole novel he says: "In its revelations of the human relations, the story becomes an impassioned portrayal of the outcomes accomplished and heights reached when people consider ethical questions in everyday business."



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At the end of each five-week period, winners are picked in the

At the end of each five-week period, winners are picked in the "poker" game according to the value of the cards attached to their paychecks. They receive \$100 certificates. Employees with lost-time accidents have their hands declared "misdeals."

Who Wants an Office Christmas Party? This Survey Points the Finger

The National Office Management Assn. made a survey of how office workers really feel about office Christmas parties. On the basis of 6,500 replies, it found:

• 60% are in favor of office parties.

 Female office workers as a whole are more in favor of parties (63%) than are male workers (59%).

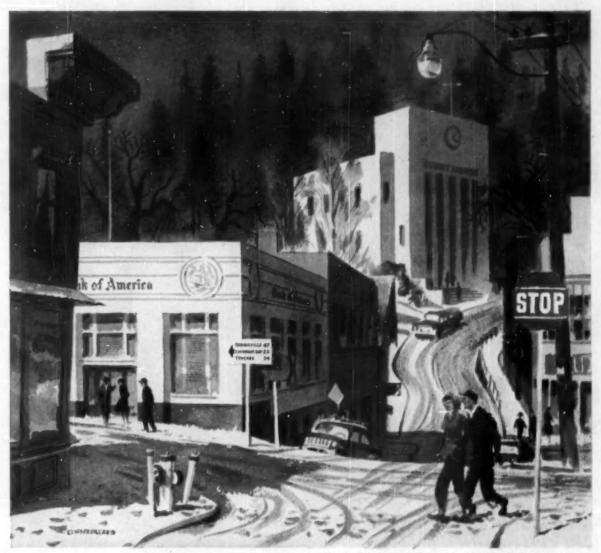
 However, 92% of all male office workers under 20 years of age are in favor of these parties, compared with 82% of girls in the same age bracket.

 Up to 40 years of age, men are more in favor of such parties than women. After that, the majority of men are opposed.
 Women have to pass 49 before a majority are against parties.

Replies citing benefits of office parties include comments that they provide social contact and better acquaintanceship with other workers (40%), provide social contact with employers and supervisors (24%). Principal objections are: breaking-down of barriers, too much familiarity, 22%; creation of unpleasant situations in the office and in the home, 18%; too much alcohol, 15%.

Biggest Gift of All: Ford Foundation Handing \$500-Million to Schools, Hospitals

The Ford Foundation, largest of company foundations, will see its assets jump spectacularly when it sells its Ford Motor Co. stock next year. This week, you saw where some of this money is going to go. The Foundation is giving



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\$500 million to schools and hospitals.

The Foundation will hand out its cash in three packages. An endowment of \$210-million will go to 615 private colleges and universities to bolster teachers' salaries. Similar 10-year endowments totaling \$90-million will be set up to strengthen instruction in 42 private medical schools. The Foundation is turning over \$200-million in outright grants to 3,500 hospitals to improve and extend services to the public.

Intensified Hunt For Joe College Seen

With demand for college graduates higher than last year and the supply no greater, you can expect to see company recruiters start their 1956 college hunting season a bit early. Checking returns from its annual company surveys, Northwestern University finds that employers pian to hire 30% more college men than they did last year. Demand for engineers is up 47% with general business, sales, and accounting being the main needs in other lines. Salaries will also increase. Starting pay for engineers will be 6% over last year, for others it will climb about 4%.

Management Briefs

International Business Machines is giving a high-speed 704 electronic data processing machine to MIT's Karl T. Compton Memorial Laboratories. The gift will be used for research. It will also provide means to teach more engineers how to use computers. A number of New England colleges—including MIT's Industrial Management School, which is now starting a large-scale operations research program—will use the computer.

General Foods Corp., \$825-million-a-year seller of food products, is putting \$278,000 this year into a fund that includes grants to foundations, grants-in-aid to various schools, and a number of individual scholar-ships.

Anserican Management Assn. holds its first conference on public relations in New York City at the New Yorker Hotel on Jan. 19-20.

WHERE TO START A



The area above, enclosed by the dotted lines, is an important area of good "neighbor relations". Today, more than ever before, plant management is turning its attention to industrial air cleaning — and replacing noxious or nuisance chimney discharges with harmless plumes. Here, indeed, is the good-neighbor policy in action.

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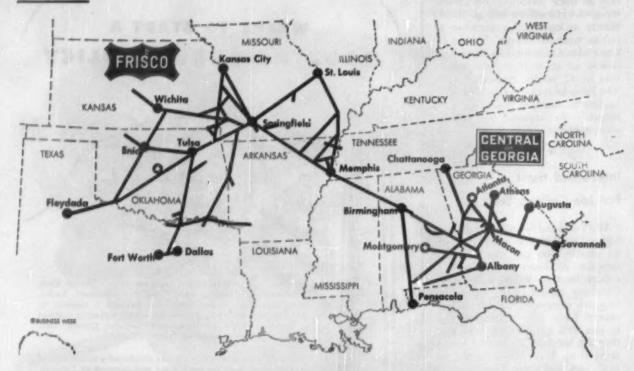
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Deal: Control or Merger?

A new recruit has been added to the rail merger rumors that have been

tattling around in Wall Street.
The story broke when the St. Louis-San Francisco Ry. asked the Interstate Commerce Commission for permission to acquire stock control of the Central of Georgia Ry. Actually, the St. Louis-San Francisco firmly denied that it planned any real merger, once it had control. But the Street persists in thinking that merger would be in all logic the end product of the deal.

Whatever the Frisco's plans, its petition came to many outsiders as rather more of a surprise than two other major railroad nuptial reports. These

. The New York, New Haven & Hartford and the Boston & Maine. Services of these two top "native" carriers in New England complement each

 The Chicago, Milwaukee, St.
 Paul & Pacific, and the Chicago & North Western. These systems are partly competitive, partly complementary.

In both these cases, any layman can scent that the possible partners in matrimony are already neighbors, if not friends. But how come the Frisco and the Central of Georgia? Indeed, what is a railroad with San Francisco in its name doing in the Deep South, much less flirting with what seems to be a local Georgia girl. Just to add to the confusion, the ICC officially classes the Frisco as a "Southwestern carrier." with no mention of Southeast.

· Going West-The Frisco part of the name goes way back to the days when the road was a mere gleam in the promoters' eyes, and when the nation's favorite slogan was "Go West, young man, and grow up with the country. At the start, the Frisco faithfully followed the slogan, laying its tracks, and doing its buying, in a southwesterly direction. But this early drive never developed strength enough to push the line all the way west; in fact, in all its 80 years the nearest it ever got to namesake San Francisco was the Texas town of Floydada, a modest 275 miles west of Dallas (map).

What's more, it was years ago that the road came to the conclusion that its greatest growth possibilities lay east of the Mississippi. And today a growing share of the most important tracks in the line's 5,100-mile system takes off from the northern terminuses of Kansas City and St. Louis to head eastward across the Mississippi and into the growing Southeastern section. These lines offer the shortest rail routes from Kansas City and St. Louis to the important Memphis "gateway" and to the booming industries of Birmingham.

This drive toward the Southeast, however, has not caused the Frisco to drop entirely the services that brought it the ICC label of "Southwestern." It still has many important passenger and freight services in that area, but it is a long way from being a Southwestern carrier in the same sense as its great rivals, the Missouri Pacific and the Chicago, Rock Island & Pacific.

• Never Underestimate-The Central of Georgia is another road often misunderstood by laymen, who tend to think of it as a sleepy, purely regional operation. Actually, the Central has become quite important in its chosen

field as a "bridge line."

Thus, some of its 1,764 miles of track provide an important link in increasingly popular passenger and freight route from Florida to the Midwest. It serves to tie together such carriers as the Atlantic Coast Line and the Seaboard Air Line on the coastal side with the more westerly services of the Louisville & Nashville, the Illinois Central (which once controlled the Central of Georgia), the Frisco, and



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the Nashville, Chattanooga & St. Louis. At the same time, the Central picks up a lot of traffic from other carriers to deliver to its own eastern terminus at Savannah.

• Little to Build—The physical linking of the Frisco and the Central would not require extensive construction. At Birmingham, the Central already shares the Frisco's extensive yard facilities. But no such linkup is mentioned in the Frisco's request to acquire control of the Central. Stock control is all it wants, according to the petition, with no consolidation or merger. A Frisco spokesman says control is sought simply because the Central "has been earning good money" and offers a "good investment" for Frisco funds.

As things stand now, the Frisco could get control without very heavy expense. It already holds 158,197 shares of the Central's 337,236 outstanding shares of common, plus 81,512 of the 170,417 shares of 5% \$100-par preferred. (Currently, both classes of stock have equal voting power.)

of stock have equal voting power.)

The Frisco told ICC that these shares had cost it \$15.3-million, and that another 14,118 shares of either common or preferred would give it voting control. On the basis of the highest prices paid in its earlier purchases, the Frisco figures that the remaining shares needed would cost \$886,000 for common, or \$1.3-million for preferred. (The common is now selling at \$53, has ranged from \$69.50 down to \$37.25 this year. The preferred is currently close to the top of its \$95.50 to \$79.25 range for 1955.)

In asking permission to pick up this stock, the Frisco asserts that it and the Central are "geographically noncompetitive and complementary to each other." It adds that "with improved coordination of through service from the West and Southwest . . . and the port of Savannah . . . [the Frisco] . . . will be in a better position to influence considerably more traffic through that . . . seaport than is being handled at the present time."

 Reactions—The Frisco seems little worried by prospects that other carriers will oppose its plan, though it admits that the Southern Ry. may raise objections. The road also doubts that it will meet "any objections from the Gulf port cities" that it serves.

Some Wall Street rail experts think the Frisco is over-hopeful in thinking that the Gulf ports will lie still, particularly since increased use of Savannah could mean the diversion of some of their own present traffic.

The same Street skeptics are far from convinced that an actual merger won't follow if ICC approves the stock control. For one thing, they feel that the "coordination" mentioned by

the Frisco could only be achieved by physical merger.

They have another argument, too, going back almost four years. At that time, Clark Hungerford, president of the Frisco, seemed anxious to arrange a merger with the Central by negotiating with a group that then held 36% of the Central stock. This group was headed by Patrick B. McGinnis, who since then has won control of both the New Haven and the Boston & Maine. The Streeters figure that if Hungerford wanted to merge with the Central in the condition it was in then, he would be doubly eager to do so since the line has shown basic improvement.

• Worries—Up to early 1952, many analysts felt that the reorganization of the Central's capital structure had not been sufficiently drastic. But since then, the road has begun to reap the economies of complete dieselization. These and other cost savings, plus the industrial growth of the area, have tended to calm these forebodings, and it's even estimated that the common stock—which has never paid a dividend—may show 1955 earnings of \$8.50 per share, topping last year's showing by \$2.45.

The Central's reorganization isn't the only one that some Streeters have viewed with a beady eye. They have also felt that the Frisco's 1947 reshuffle did not take a deep enough bite out of the old capital structure.

But recently the Frisco has spent heavily for modernization and improvement, achieving complete dieselization early in 1952. Resultant gains in operating efficiency have quieted, the doubters.

The road has also improved the diversification of its freight traffic. Farm products, it's true, still play a big part in its well-being—as shown when last year's drought brought a big drop in the road's earnings. But the general economic shifts in the area in the postwar years have enabled the Frisco to show recent revenue and ton-mile trends rather better than the Class I roads as a group. As things look now, its 1955 earnings on common stock may run around \$5.15 per share, compared with last year's \$2.46.

• It Cost Money—This progress made by the Frisco has not come scot-free. Last summer the road had to sell \$19.5-million of new mortgage bonds to press on with its improvement program, which cost \$150-million in the 1947-1954 period. As a result, the road's total debt jumped to \$162.5-million, a sizable rise from the 1947 yearend figure of \$121.9-million. But the size of the rise doesn't seem to worry Streeters. One of them points out that, even after the new financing, annual fixed charges were still less than 4% of operating revenue.

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Punctured Boom

Salt Lake City's wild market in uranium shares calms way down. Brokers are finding things tough.

The once-torrid uranium stock boom centering around Salt Lake City is currently about as hot as winter on the Colorado Plateau. The September tumble in uranium shares—which started a few weeks before the nosedive of stock prices elsewhere (BW—Sep.17°55,p186)—has wrought some major changes in a stock market that for a while was the wildest and wooliest of all:

Where six months ago, new companies were still sprouting every day, financed largely by "penny stock" offerings under Regulation A of the Securities & Exchange Act, today it is practically impossible to start a new equity-financed company, and nearly as difficult to get money for expanding one already in existence, unless it has a top

production record.

• Brokerage houses in Salt Lake
City are finding it tough to make a
living, and many are closing up shop.
Before the uranium boom really hit full
stride, there were around 40 securities
dealers in town. At the height of the
boom, there were about 125. Now,
there are only 97 registered dealers.
Many brokers have had to quit their
fancy offices and conduct what is left
of their business from the less plush
confines of their own homes.

• A large-scale merger movement is under way, with the largest units, such as those in the complex of companies controlled by the Floyd Odlum interests, absorbing the assets of properties that look promising, but haven't been able to get into full-scale production. There's active bidding for mines that have proved their value.

The merger wave points up one of the most significant shifts in the whole uranium picture. The bigger producing companies are faring well, and their shares in many cases are actually selling higher than their September prices, while shares of unproven mines have lagged. (Of the 100 most active issues, only 13 have advanced steadily since September, with 41 below September prices, and the rest relatively unchanged.) This showing has encouraged observers to believe that the shakeout has run its course, and will have a salutary effect—the companies left in the uranium picture will be the heal-thiest ones, with the fly-by-nights dropping by the wayside.

• Supply Prospects—The tarnish on the uranium boom, which started back in late summer with strong indications

Barium raises its sights again!

Merger of steel operations to step up efficiency, increase customer service

Another milestone in Barium's long-term policy of planned integration was reached recently with the consolidation of all seel-making operations under the management of Barium subsidiary Phoenix Iron & Steel Company, Phoenixville, Pa.

Aimed at improving efficiencies still further and broadening Barium's customer service, the consolidation integrates Central Iron & Steel Company, Harrisburg, Pa. (now known as Plate Division), Chester Blast Furnace, Inc., Chester, Pa. (now known as Blast Furnace Division), Structural Division, Phoenixville, Pa. and Phoenix Steel Tube Division, Phoenixville, Pa. (Seamless Tubing), under the management of Phoenix Iron & Steel Company, All now function as Operating Divisions, and will remain in their present locations.

Barium believes this merger will produce a stronger and more flexible operation and set the stage for accelerated growth—not only of the divisions directly involved, but also of the entire Barium organization. For this move is a practical demonstration of the alert management thinking which has expanded Barium from one company to 14 in ten short years. Find out about Barium's soundly diversified family of companies. Write for "The Barium Story," Barium Steel Corporation, 25 Broad Street, N. Y. 4, N. Y.

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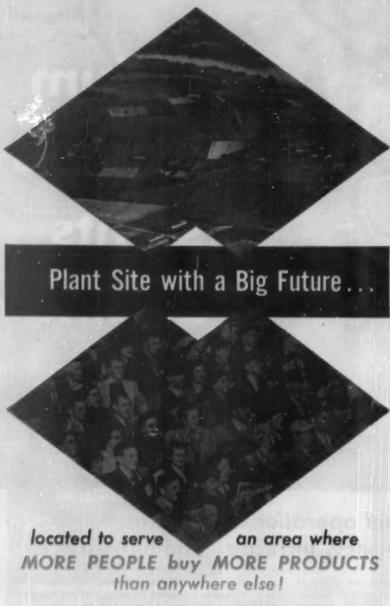
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Baltimore & Ohio Railroad

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that in another couple of years uranium supply would far outweigh demand, increased with the September stock slide. By now, the housewives and elevator operators who were providing much of the money to fire the boom have taken their losses—or profits, if they were lucky—and gone home. Bankers, too, have become increasingly cautious, the result being that even sound, producing companies find it difficult to borrow.

FINANCE BRIEFS

Tight money is being felt in the longterm tax-exempt market. Last week, Connecticut Turnpike authorities, on word from their financial advisers, Lehman Bros., decided to postpone a \$100-million bond issue "due to the very unfavorable condition of the taxexempt bond market..." Meanwhile, the New York Thruway sold another \$50-million of bonds at cost of 2.75%, the highest ever paid by the Authority.

Baseball's Milwaukee Braves have found way above average profit in their 1953 move from Boston to Milwaukee. The club's balance sheet for Dec. 31, 1954 shows a surplus of \$157,337, compared to a 1952 yearend deficit of \$991,500. Also, \$1.8-million of accounts payable were knocked off the balance sheet by the good earnings that came from the club's more than 2-million attendance figures over the past two years.

The trend to higher interest rates isn't unanimous. The Amalgamated Bank of New York, owned by the Amalgamated Clothing Workers of America, lowered the rates it charges on personal loans from 3.33% a year discounted, to 3.25% a year discounted. Comparable rates at other New York commercial banks are around 4.25% discounted.

Textron American, Inc., directors have authorized an issue of \$30-million of subordinated convertible debentures. Initially, they'll be convertible into common stock at a price not less than \$30 a share. The bonds are expected to carry a rate around 5%. Proceeds from the sale of debentures are to be used for the company's further diversification into non-textile lines.

Sales and profits jumped to record highs for Canada Dry Ginger Ale, Inc., in the fiscal year ended Sept. 30. Profits were up 46% from last year, on sales 10% above 1954. Pres. R. W. Moore noted that his company's sales of wine and spirits increased despite declining consumption generally.

Private Placement of Corporate Issues



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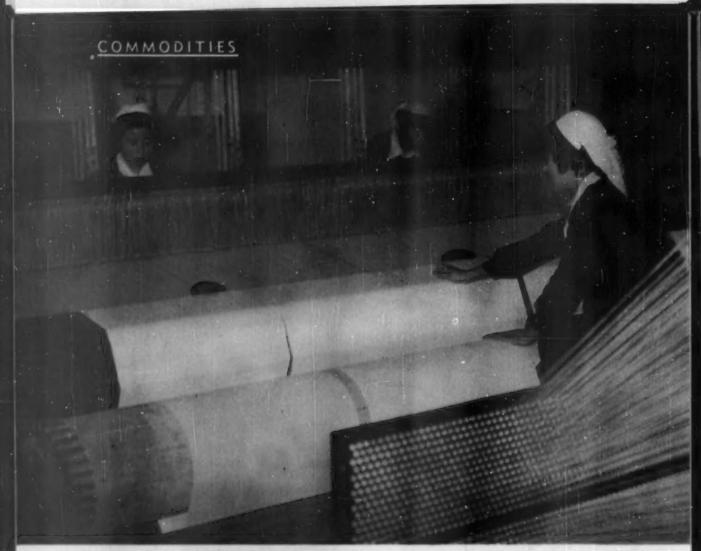
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WEST PALM BEACH



Rising textile imports from Japanese plants like this one have led U. S. producers to demand import quotas, over the Administration's opposition. The battle will be fought out in Congress.

Textiles: Fireworks in '56

When Congress reconvenes next month it will resume its perennial debate over freex trade vs. protection. This time the textile industry will provide the fireworks. The main issue will be what to do about increasing cotton imports from Japan. The controversy will center around a bill to put quotas on imports of cotton cloth, introduced in the Senate in the closing days of the last session.

Japanese Comeback—Japan has regained its prewar title of the world's leading textile exporter. Japan's textile industry was all but wiped out during World War II. Now it has been rebuilt (picture) and equipped with new, efficient machinery.

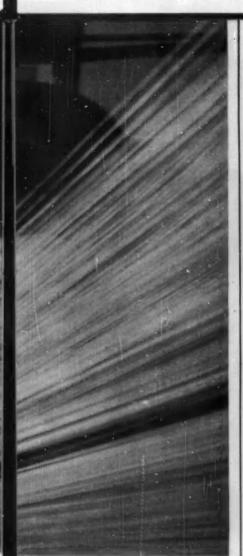
This has meant rising sales in the

U.S. Total exports of cotton cloth to the U.S. by all countries this year will run between 120-million and 130-million yards—double the 1953 rate. And all of the increase comes from Japan.

Japan's sales here are not the whole of the difficulties besetting the textile industry. And to fully understand the problem, you need to look at what's happening to the industry in other countries. To U.S. mill men, Japan is the big threat; but to Britain, it's India, Japan, and China (via Hong Kong); and to Japan, it's Britain and India. All over the world, textile men are trying to protect their home markets. At the same time, textile exporters are pushing for a bigger share in the world trade.

• Rising Imports—What bothers U.S. textile people the most now is that the trend of imports is upward. In September, they made a real spurt. That's because tariff reductions on many types of cotton cloth took effect. The cuts were negotiated at the General Agreement on Tariffs and Trade (GATT) meeting held early this year. Textile men say that enough orders already have been placed and validated in Japan to "flood" this country with Japanese textiles over the next few months.

Nor are fabric imports the only thing werrying the textile industry here. There has been an even sharper increase in the inflow of manufactured goods from Japan. Starting from a



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low level in 1953, imports of wearing apparel more than doubled in 1954, totaling \$3-million. This year they'll top \$15-million, with blouses and shirts the big gainers. Textile men feel that a ready-made blouse coming in from Japan cuts into their market just as much as the import of an equivalent amount of cotton cloth.

• Bitter Feelings—The industry is making no bones about its feelings on textile imports; statements from industry leaders contain some bitter language. A. K. Winget, president of the American Cotton Manufacturers Institute, says that the industry is facing its "worst crisis" and that a quota system is the "only salvation." Textile people feel that the industry is being "sacrificed" to the "do-gooders;" some even claim that it has been singled out for sacrifice.

The "do-gooders" are just as vehement in their arguments. They say imports, even at the 1955 rate, come to only a shade over 1% of domestic production. One State Dept. official makes this comment: "Production, this year, will go over 11-billion yards; im-

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TUBE TURNS

A DIVISION OF NATIONAL CYLINDER GAS COMPANY LOUISVILLE 1, KENTUCKY ports will be under 130-million. That's a pretty small tail to wag such a big

dog."
These people also point out that U.S. exports of cotton cloth, even in 1955, a poor export year, are almost five times as great as imports. In 1954, exports ran better than eight times ahead of imports. So, they say, if the textile industry is to consider imports as just that much domestic production and employment lost, it will have to put exports in on the credit side of the ledger.

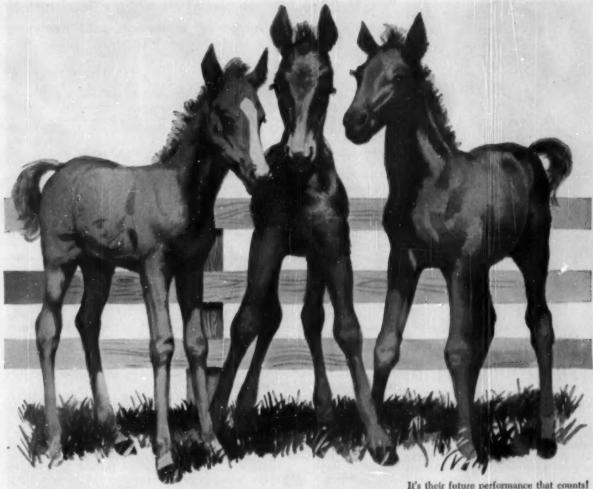
• Industry Retort—But the industry men don't go along with this line of reasoning. It's not the level of imports that matters, explain the cotton mill men. They say their industry, which already has low profit margins, is so competitive that even a relatively small amount of low-priced imports is enough to drive—and keep—domestic prices down.

• Extent of Injury—Figuring out how much imports actually are hurting domestic business is no easy task. The textile industry has been through some rough times during the past few years; is down. But there's a real question in many minds whether even shutting off all imports would solve many of the industry's problems.

Many small producers make the industry highly competitive. World War II demand resulted in a sharp expansion by the industry. Heavy postwar civilian demand, followed by the Korean War, only delayed the inevitable adjustment. In addition, synthetics are giving natural fibers competition. And per capita consumption of textiles is slipping, so that all fibers—natural and synthetic—are not getting full benefit from our rising population. Veteran observers see these as the basic facts textile men have to live with, and none of them have anything to do with imports.

· Busy Mills-This year, at any rate, the industry as a whole isn't hurting from lack of business. It has pulled out of its depression. Order backlogs are at a healthy level; profit margins, though still low, are going up; and many cotton mills are working three shifts. In fact, no part of the textile industry has appealed for help through the "escape clause" section of the foreign trade law, which allows imposition of higher tariffs or quotas when imports cause or threaten serious damage to a domestic industry. But spokesmen for the American Cotton Manufacturers Institute point out that the 'escape clause" procedure is too slow, that the danger to domestic cotton mills is "imminent" and that is why they're pushing for quotas through Congressional action instead.

· Two-Way Bill-The cotton bill in-



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MAGNAFLUX

"... U. S. troubles are part of a world textile picture of rising production, increased protection, and declining trade . . ."

TEXTILES starts on p. 128

troduced by Sen. James O. Eastland (D-Miss.) is a two-way attempt to deal with the two aspects of the cotton problem—rising imports and domestic raw cotton surpluses. It represents an uneasy alliance between cotton growers and cotton manufacturers.

Mounting surpluses of raw cotton are a full-scale national problem (BW-Dec.10'55,p106). One reason for the pile-up is the fact that the American farmer is losing a large part of his forcign market. Price supports in this country have made it easier for foreign producers to increase production and undersell U.S. cotton in world markets.

So cotton farmers want an export subsidy—or two-price plan for cotton—to enable them to compete in the world market. But cotton manufacturers have vehemently opposed this. They say they are having enough trouble competing with foreign textile mills that pay much lower wages; selling raw cotton to these mills for less than domestic mills have to pay would be giving the foreigners an added advantage.

The Eastland bill tries to satisfy both groups: Part I provides for export of raw cotton at competitive prices: Part II provides for quotas on imports of cotton manufactured goods. The Secretary of Agriculture already has the power to do both of these things; the bill, if approved, would force him to use it.

• Wide Backing—The bill has strong support in the Senate, with an impressive list of 63 sponsors, including both advocates of freer trade and protectionists. Apparently Sens. Wayne Morse and Richard Neuberger of Oregon and Sen. Hubert Humphrey (D-Minn.) back the bill because of its raw cotton provisions. On the other hand, the bill's sponsors include several senators who have consistently favored greater protection through tariffs and imports quotas.

Cotton men aren't the only ones who are unhappy over the import picture; associations for wool and synthetic textile manufacturers are considering joining them in pressing for quotas. Their position is that even current tariffsapart from possible future cuts—have not been high enough to prevent a rise in imports.

Tariffs may well be cut soon, though not by much. A new round of GATT tariff negotiations is due to start in January. Only a few cotton items will be touched, but a number of important categories of wool, silk, and synthetic items are up for negotiation. Tariffs on most of these, however, can't be cut more than 5% in any one year, according to the Trade Agreements Extension Act of 1955. All textile organizations, of course, are standing solidly together to fight any further tariff reductions.

· Other Textile Imports-Only in silk do imports loom large; they are running about 50% of domestic production. Wool imports are still relatively small, but, as in the case of cotton, they're increasing rapidly. The major part of the wool imported comes from Europe, but wool imports from Japan are growing at the fastest rate. This year yarn and fabric imports from that country are more than double their 1954 rate. Man-made fabric imports are no problem at all yet, though fiber imports from Europe are growing. But Japan has an efficient rayon industry and has increased exports to other countries. This is making American manufacturers

 The World Picture—U.S. troubles are part of a worldwide textile picture of rising production, increased protection, and declining trade.

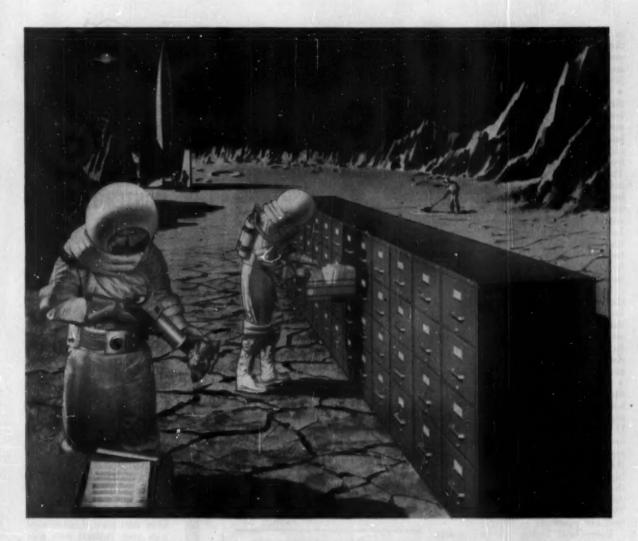
The years since the end of World War II have seen a big growth in textile production, particularly in the underdeveloped countries, most of it protected from outside competition by tariffs and quotas.

For countries on the road to industrialization, simple textile mills can provide employment relatively fast. They can also fill the basic need for clothing, while conserving scarce export earnings to buy "essential" goods. World movement of textiles, as a result, is down. And competition among exporting countries for a bigger share of the

smaller pie is fierce.

• Uncertainty—Over the short run, world uncertainty about U.S. raw cotton policy also has played an important part in the shrinking of world trade. For about a year now, Agriculture Secy. Ezra T. Benson has been under heavy pressure to authorize export subsidies to stimulate sale of U.S. cotton abroad; the State Dept. has opposed the idea. World cotton prices hang on the outcome; if the decision is in favor of an export subsidy, prices will drop sharply. In the meantime, until U.S. policy is set, world buyers have the jitters; they have been using up their inventories—of textiles as well as raw cotton—and buying as little as possible.

· New Exporter-The biggest increase



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CINCINNATI 12, OHIO

in textile production since the end of the war has been in India. India is now one of the world's leading exporters, and a formidable competitor all over Southeast Asia and Africa.

• Britain's Position—Britain, once textile supplier to the world, has already loat a big part of its export market, and now faces heavy competition in its home market as well. Imports of grey cloth from India and Hong Kong—duty free under the Imperial Preference Treaty—are rising fast. This grey cloth is finished in Britain, partly for exports, but increasingly for the low price domestic market. Imported cottons now account for 10% of domestic sales. The Lancashire cotton textile industry continues to batter at the government for tariffs or quotas on imports. But, so far, the government has rejected each successive appeal.

In the competition for world markets, the Indians undersell the Japanese on low-price goods, and the Japanese beat the British. But Britain is already concentrating on the quality market, where its chief competitors are limited to the Americans, Italians, Germans, Belgians,

and Dutch.

• Competition for Japan—Japan's textile industry has made a strong comeback in recent years, though it's still not back to prewar size. Exports to the U.S., serious as they may be to U.S. mills, came to less than 10% of Japan's textile trade in the first half of this year. In Asia and Africa, Japan's biggest markets, exports are down sharply. Partly because of exchange difficulties, Indonesia cut its purchases 78% in the first half of this year. Thailand cut purchases by 57%.

Everywhere, Indian low quality fabrics are offering Japan stiff competition. And China—once, together with India, considered a bottomless market for cottom textiles—has increased its production sharply and is beginning to compete with Japan for Asian markets. Experts say that if it weren't for the big rise in shipments to the U.S.—as well as the relaxation of sterling area import restrictions—Japan's cotton industry would be in desperate straits.

Now, in response to pressure from the U.S.—and to forestall quotas—Japan has stopped validating new orders for textile shipments to the U.S. while it reviews its export policy. Chances are that exports to U.S. in 1956 will be restricted to the 1955 level.

• Opposition to Quotas—The State Dept. will fight any kind of quota on incoming textiles; Secretary State Dulles made this official ear this month in a letter to Sen. Margaret Chase Smith (R-Me.)—one of the sponsors of the Eastland bill. Dulles said he had asked Japan to use restraint in exporting textiles to this country (the first public confirmation that the U.S.

had put official pressure on the Japanese), and that the U.S. industry has not yet been injured by imports of Japanese cotton textiles.

A strong Japan is important to this country strategically, and Japan's economy depends on exports. The U.S. has been working hard to get Japan accepted as a full GATT member (14 countries still refuse to give it "most favored nation" treatment); textile quotas, clearly aimed at Japan, would seriously undermine the effort.

The Administration also is convinced that quotas for cotton would open the door to quotas for other textiles, and for a long string of other products that are facing foreign competition—some of them able to show a much higher ratio of imports to domestic production

than in textiles.

Big hope of the Administration in defeating cotton import quotas is that the alliance between cotton farmers and cotton manufacturers won't last. Japan is the best single foreign customer for U.S. raw cotton, taking about a fifth of total exports. The Administration has quietly pointed out to farmers that the cotton equivalent of fabric exports is almost five times the equivalent of imports.

But textile people are united and determined in their fight for protection. They control a large block of votes and showed their strength earlier this year in the debate on the over-all foreign trade law. If the Eastland bill fails to pass Congress—or if it passes and is vetoed by the President—they will try to have its provisions attached as riders

to other legislation.

COMMODITIES BRIEFS

The plywood industry rings up new records year after year. Production in 1955 will reach 4.9-billion sq. ft.—25% more than last year. For 1956, the Douglas Fir Plywood Assn. estimates production at 5.6-billion sq. ft., on the basis of demand (which it expects will be good) and reports of new mills under construction.

The oil industry is getting what it most wants: a cold winter. Latest Weather Bureau data show that the season so far has been colder than last year, also colder than normal. Heating oils have finally started to move, and stocks are falling.

World coffee production will hit 46.5-million bags this crop year, according to the Dept. of Agriculture. Production for export will be 6-million bags above estimated world imports. Stocks are already very high; a large carryover into the new crop year is now inevitable.



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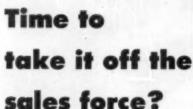
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INTERNATIONAL OUTLOOK

BUSINESS WEEK DEC. 17, 1955

Prime Minister Nehru has dropped his policy of neutrality.

A BUSINISS WEEK

That's clear from (1) the joint communique issued this week as the Bulganin-Khrushchev team left India; and (2) the way Nehru let the Soviet leaders fan Indian grievances against the West into hatred and contempt.

There is no doubt now that Nehru has lined India up with the Communist block almost everywhere in Asia—even joined forces with Moscow to destroy U. S. political and military influence in South and Southeast Asia. What's more, he has brought Russia directly into the affairs of the Indian subcontinent by accepting Soviet support against Pakistan in the Kashmir conflict.

Up to now Nehru has tried to play the role of mediator in the explosive Formosa situation and to limit Communist aggression in Indo-China. Now he has shifted openly to the Communist side on both.

In the case of Formosa, Nehru has always agreed in principle with Red China. But he has been taking this position: The offshore islands should go to Red China immediately; the disposition of Formosa itself should be settled only when the threat of war in Formosa Strait had been removed. Today he seems ready to support any policy Peking pursues.

As for Indo-China, Nehru has joined with Bulganin and Khrushchev in demanding that the U. S. back down completely. He wants the anti-Communist government of Vietnam to accept a nationwide plebiscite on unification next summer—despite the way the Communists have used subversion and infiltration to sew up the vote. The communique practically says to the U. S.: Accept Communist rule in all Indo-China or face the renewal of war there.

On the other side of India, where Russian and Indian interests directly meet, it looks as if Nehru plans to use Moscow as an ally against Pakistan. He is winking at Soviet penetration of Afghanistan and accepting Soviet support in Kashmir.

There is no doubt that Moscow intends to get complete control of Afghanistan, including the approaches to the famous Kyber Pass. Once in control of Afghanistan, Russia could exercise direct military pressure on Pakistan, try to force the Pakistani out of their alliance with the West.

From Nehru's angle, this would be all to the good. He bitterly resents Pakistan's military aid agreement with the U.S. and its membership in the Baghdad Pact. But Kashmir is the real prize Nehru hopes to get out of the squeeze play.

It isn't clear yet whether Indian-Soviet cooperation will be as close in the economic field as in the diplomatic.

The much-heralded Soviet aid program has turned into a vague and limited trade agreement. The main feature is a Soviet promise to sell India 1-million tons of steel over the next three years. (During the past three years, the U.S. has given India 500,000 tons of steel.)

Beyond that the Russians have promised (in addition to a steel mill announced a year ago): (1) equipment and technicians for mining and oil development; and (2) technical and economic advice to help with India's new five-year plan.

It doesn't look as if Moscow is ready to provide much in the way of

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK DEC. 17, 1955 capital equipment. Apparently the Russians figure they don't have to pay this price to achieve their goals in India.

Washington will watch the dust from Khrushchev's heels settle before it makes any hard decisions about future U.S. relations with India.

Foreign aid policy, it's true, has been under constant review for some weeks now—with a shift indicated to a more determined effort to meet the new Soviet offensive.

You can see the shift in the speeded-up decision to help finance the Aswan High Dam in Egypt; also in the serious study being given to ways of helping India to cover the \$1.5-billion deficit in financing available for its five-year plan.

So far the change can't be measured in dollars and cents. It's a matter of emphasis, and a new sense of urgency—felt by both Pres. Eisenhower and Secy. of State Dulles.

It's a question now, though, whether Nehru's shift from neutrality won't destroy any chance there was that Congress might accept an increase in aid for India.

Washington will throw its full weight behind Euratom, the proposed West European nuclear power pool. This has become the No. 1 U.S. policy objective in Europe—following the dashing of hopes for German unification at Geneva.

This new move toward European integration is seen by Dulles as the best hope of keeping West Germany tied to the Western alliance.

Special committees, from the six nations in the European Coal & Steel Community, have been studying the project since early summer—inspired and pushed by Jean Monnet, author and former boss of the coal-steel pool.

A final blueprint is supposed to go to the six governments for approval in January. But before this happens there will be some changes in the plan Monnet has been advocating.

Monnet wants to put Euratom under the direction of a special division of the coal-steel pool's High Authority. This body would control all aspects of atomic power within the community—financing, location of plants, fuel supplies, research, marketing and distribution of power.

There is strong opposition in Germany to giving Euratom this kind of supra-national power. Economics Minister Ludwig Erhard and Atomic Energy Minister Franz Joseph Strauss, backed by German industry, want more feedom to develop an atomic industry on their own. Strauss is publicly advocating an international organization that would be a coordinating rather than a managing agency.

The chances are that the final blueprint will be closer to the Strauss idea than to Monnet's.

Hugh Gaitskell, former Chancellor of the Exchequer, this week succeeded Earl Attlee as leader of Britain's Labor Party. Gaitskell won handsdown over leftwinger Nye Bevan.

It will be Gaitskell's job to shape a new Labor policy and strengthen the party organization (BW—Oct.22'55,p152) before the next election show-down with the Conservatives.

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OZAMATIC (left) is a table model, handles sheets as wide as 16", and can make up to 1000 prints an hour.

Walter Reuther's future as a power in the labor movement beyond the auto industry will depend on (1) the mark he makes on a new department in AFL-CIO, or (2) whether he can have his leadership accepted by the former AFL unions if the new department wanes.



The New IUD: Is It Another CIO?

Midway in last week's founding convention of the American Federation of Labor & Congress of Industrial Organizations, Pres. George Meany recessed the session and a few minutes later, as temporary chairman, called a meeting to form a new Industrial Union Dept.

Few left the convention hall in New York's 71st Regiment Armory. By the end of a brief routine session, the IUD took shape as a department with 66 affiliated unions (35 formerly AFL) and more than 7-million members, a controlling majority from CIO.

· Shadow or Substance-In the year or

two ahead, nearly as much attention will focus on the new IUD as on AFL-CIO itself. What happens within it could affect the chances of success for the new federation. It could have important effects on industrial organizing and on labor-management bargaining patterns. On the other hand, it may prove ineffective and impermanent—a shadow organization without substance or meaning.

Much will depend on one man: Walter Reuther, the IUD's first president. With his aides, predominantly from CIO, he will in the months ahead begin to add body to the skeleton purposes

of the IUD. To the extent that he succeeds, IUD will become something to be reckoned with. For that reason, if for no other, IUD must be watched closely, even though, as it now stands, its founders admit it is a paper organization.

I. Industrial Unionism

The IUD is a result of a pre-merger agreement, demanded by CIO, for a department in AFL-CIO to "promote the interests of industrial unions" within the new federation.

This proposal raised important ques-



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"... limitations imposed on IUD, with CIO negotiators' approval, are intended to bar the new department from becoming an inner CIO in the new federation ..."

IUD starts on p. 140

tions of whether the CIO bloc-doubtful about its future within a united labor movement-was not in effect asking for a "federation within a federation" in order to keep its ranks intact. AFL negotiators opposed setting up any department that would have such a

DUIDOSe.

As finally established, the IUD is somewhat less than many in CIO wanted. It is a structural parallel of four departments inherited by AFL-CIO from AFL: the Building & Construction Trades Dept., the Metal Trades Dept., the Railway Employees' Dept., and the Maritime Trades Dept. · Open to All-Like the others, it is by constitution open to all unions, from CIO or AFL, organized in whole or in part in one particular field: in the case of IUD, on an industrial union basis. The department is also bound by the "constitution . . . and the rules and regulations" of AFL-CIO. While it can make statements and adopt resolutions, they must conform with federation policies and programs.

Moreover, although the IUD is dedicated to the "interests of industrial unions," it is specifically committed to recognize that "both craft and industrial unions are appropriate, equal and

necessary.

Altogether, the limitations imposed on IUD, with CIO negotiators approval, are intended to bar the new department from becoming an inner CIO in the new federation, something Reuther insists was never intended.

• AFL Moves In-Nobody was in the least surprised when all CIO unions moved intact into the IUD last week. It was their organization, with Reuther and James B. Carey in their former CIO roles of president and secretary-treasurer; with Al Whitehouse from the United Steelworkers as executive director and eight of 12 vice-presidencies held by CIO unions; and, from a financial standpoint, with an inheritance of \$1.25-million from CIO in IUD's treasury.

Interest in IUD among unions from AFL greatly exceeded anyone's expectations. Thirty-five signed up for 2,628,976 members (as compared with 31 from CIO with 4,528,144), and others indicated they may join later.

Reuther admitted being "astonished" by the AFL enrollment; he added quickly that he was also "delighted."

Why did the AFL unions flock into the IUD? That's still being mulled over both within and without the ranks of organized labor. The answer could have considerable future significance.

Benefits—Unlike the former AFL departments, the IUD, at least at the start, offers few clearly defined direct benefits to affiliates. It will not offer them organizing help as the Railway Employees' Dept. dises, nor bargain for them as the Metal Trades Dept. and others from AFL frequently do.

There's a reason for this difference. The AFL departments assume direct organizing and bargaining functions on occasion because—in the craft field—a dozen or so small craft groups, each representing only a few workers, may deal with a single employer. To give them added strength, their department

may bargain for them.

Affiliates of the IUD, on the other hand, will be organized on industrial lines, representing all on the payroll for a plant or mill, say. Presumably, they do not need IUD as an intermediary; they represent the maximum union strength in a given situation.

• Assistance—Instead of direct help in organizing and negotiating, IUD pledges to "aid and assist affiliates in securing improved wages, hours and working conditions"—but without spelling out how it will do it, except through research and as a "clearing house for the exchange of information and experience" among affiliates. Additionally, it promises legislative representation, public relations activities, and publications "consistent with the policies of AFL-CIO." (By what Reuther called "Freudian error" the constitution, put before delegates, reversed the initials, so that they read "policies of the CIO-AFL.")

• Admission Price—Conceivably, these to-be-developed areas of assistance to affiliates may prove valuable. Some small AFL groups that signed up with IUD are investing their per capita tax 2¢ per member per month in the Industrial Union Dept. solely because of this possibility. For many of the 35 from AFL, the cost of IUD affiliation will amount to only a few hundred

dollars a month.

But more than a nominal per capita payment is involved in the membership of larger AFL unions. The Machinists, for instance, signed up with IUD for 450,000 members. At 2¢ the cost runs to \$9,000 a month. Dave Beck applied for admission of the entire Teamsters membership to the IUD—or more than 1.2-million. The cost would have been more than \$24,600 a month. The Beck

membership was whittled down, in conformance with the IUD constitution, to 400,000 members, costing \$8,000 per month. The Carpenters and the former AFL Electrical Workers for 275,000, costing \$7,000 and \$5,500 per month respectively.

A spokesman for one of these larger unions said frankly that he cannot foresee any real help from IUD for his union; along with the others, it has its own capable research, legislative and public relations operations. It can have these supplemented when necessary by AFL-CIO. Then why join IUD? Well, the spokesman said, his union is joining "this voluntary association with former CIO unions" simply because "something good might come out of it." If it doesn't, he added significantly, the association "can be terminated at any time."

Power Politics—Beck's interest, influenced by James R. Hoffa, of Detroit, a growing power in the Teamsters, involved more than just a theorizing that eventual benefits might be had from IUD. The Teamsters leadership apparently was willing to invest substantially in the Industrial Union Dept. for power bloc purposes—aimed both against Reuther and Carey in the IUD and the

leadership of AFL-CIO.

Perhaps a similar interest in power politics inside the new federation influenced other former AFL anions. For a few, the presence of rival unions from CIO in the IUD might have forced decisions to join as a defensive measure. And some of the unions from AFL have an affinity with CIO-type industrial unionism that took them naturally into IUD.

One of these stayed on the sidelines, however. The International Ladies Garment Workers Union, which goes in for industrial organizing where possible, did not sign up in IUD for even a part of its 382,735 members.

David Dubinsky, its president, shrugged at questions about the reason. "What do they have to offer any union?" he asked. "Even at 2¢ per month, it's no bargain." The ILGWU will wait until the IUD develops further—until "it shows where it's going and what it's going to do," Dubinsky said—before it makes its decision.

It's a question what IUD can accomplish in the fields it has staked out:

Research? IUD can hardly add anything to the federation's research work, directed by Stanley Ruttenberg, from CIO.

Legislative work? AFL-CIO has a well-organized staff attending to that, with both AFL and CIO represented.

Public relations? It's true that Reuther continues to have an authoritative voice in labor as head of a department, and that the structure of AFL-CIO per-

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nanced initially by gifts of \$20 million from the Ford Foundation and \$500,000 from the Carnegie Corporation, has three major purposes which are closely related. They are:

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- 2. When necessary, to help these young people go to college by giving them financial aid.
- To help colleges and universities meet the full cost of the instruction of those to whom National Merit scholarships are granted.

At present about half of the nation's top high

The McGraw-Hill Publishing Company is availing itself of the opportunity to establish ten National Merit Scholarships. They will be known as the McGraw-Hill Merit Scholarships. The scholarships are to be awarded to qualified candidates for a four-year college course in the fields of science, engineering and the other professions and the liberal arts. There will be no limitation, beyond the appropriate professional accrediting, on the college or university selected by a successful candidate. As part of a continuing program to aid higher education and educational institutions, McGraw-Hill is happy to be able to share in what it believes to be the constructive educational endeavor of the National Merit Scholarship Corporation.

school graduates do not go to college. The principal reason is that they do not have the money required.

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of the cost of instruction and living expenses for a four-year college course.

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The provision of funds to cover the students' expenses does not, however, solve the financial problems faced by many colleges. That is because the tuition charges paid by the students do not cover the cost of the instruction. The deficit must be met by drawing upon endowment funds, gifts, grants, and other available sources.

Consequently, to prevent holders of National Merit scholarships from imposing any additional financial burden on the colleges and universities they elect to attend, the Corporation will make a supplementary grant to these institutions. The supplementary grant will be the equivalent of regular tuition charges made by the school, with a top limit of \$1,500 a year for both the tuition and the supplement.

As the scholarship grants to the winning students will vary, depending upon how much financial help they need, so will the supplementary grants vary from one college to another, depending on their regular tuition charges. However, it is anticipated that on the average the full cost of a National Merit scholarship—including aid to the student and the supplement to the college—will be about \$1,500 a year.

Many business firms will find a compelling appeal in a program which is designed at once to mobilize the nation's intellectual resources more effectively and, in the process, give very badly needed financial help to our colleges and universities.

Two For One Return Offered

However, there are numerous other inducements to business firms to finance National Merit scholarships. These scholarships may:

- Carry the name of the firm or be named in honor of someone designated by the firm.
- Be limited to use in types of colleges of particular interest to the sponsoring firm.
- Be limited to a college course, such as science, engineering or liberal arts, of special concern to the sponsor.
- 4. Be restricted to candidates or institutions in geographic areas specified by the sponsor.

In addition to these advantages there is a special financial inducement to help the Merit Scholarship program. It is that for every Merit scholarship a firm or individual finances, the Corporation will, up to the limit of \$8 million, match the funds and make another National Merit scholarship available.

There are many good ways of helping our financially beleaguered colleges and universities, and many corporations are already using one or more of them.* For those companies that can do so without embarrassing complications one of the best ways is to make unrestricted gifts directly to the institutions. But this new way provided by the creation of the National Merit Scholarship Corporation (Address: 1580 Sherman Avenue, Evanston, Illinois) has the broad appeal of serving two purposes of transcendent importance simultaneously. The purposes are to see that our best brains are fully trained and utilized and that our colleges and universities, crucial contributors to this process, are helped at the same time. Business will serve the nation and its own community well by giving the National Merit Scholarship Corporation generous help.

These, as well as the plight of our colleges and universities, are discussed in a pamphlet, "Business Aid to Our Colleges and Universities," which embodies a series of five editorials which appeared in all McGraw-Hill publications. Copies of the pamphlet can be obtained without charge by addressing the Department of Economics, McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York 36, New York.

Methods of helping our colleges and universities financially are also outlined and discussed in a pamphlet, "Aids to Corporate Support of Higher Education," which may be obtained without cost by addressing the Council for Financial Aid to Education, 6 East 45th Street, New York 17, New York.

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". . . ultimately the big bargaining favored by many CIO unions may become a prime objective of IUD—to be sought through department-sponsored coalitions . . ."

IUD starts on p. 140

mits the IUD to speak out on matters of interest to it-as long as it conforms with federation policy. But it's hardly likely that former AFL unions would be willing to ante up thousands of dollars a month simply to provide a soundingboard for Reuther.

Organizing? According to Reuther, IUD's only role will be to help support it financially, functioning as a money-

raising body.

Policing? IUD's constitution empowers it to continue the former CIO urisdictional disputes agreement-which made arbitration a mandatory final step of rows within CIO-until AFL-CIO sets up internal disputes machinery. Reuther was asked if former AFL unions in IUD would be required to come under the CIO disputes pact. "That's a question we will be getting into," he told reporters. "It is a very interesting one if I may say so." Significantly, many former CIO unions have jurisdictional disagreements with the Teamsters, also in IUD. The constitution also provides for IUD steps to wipe out any race inequalities in affiliated unions (the former AFL Electrical Workers has been accused of bias in some areas) and to guard its membership against "corrupt influences," which might also provoke troubles with the Teamsters.

If these are the only functions of IUD in the future, the department is hardly likely to survive in its present

strength-if at all.

However, anyone knowing Reuther and other policymakers from CIO in IUD is probably willing to predict that more is projected for the Industrial Union Dept. than just a guardianship for the "interests of industrial unions" in the craft-influenced upper councils of AFL-CIO and a simple extension of federation services.

· Big Bargaining?-One possibility is that ultimately the big bargaining favored by many CIO unions may become a prime objective of IUD-to be sought through department-sponsored coalitions of unions that do business with a single employer or in a single industry, or on local levels through IUD industrial councils.

These councils so far are nebulous, but there is growing speculation about their future shape. They could be simply an extension of CIO Industrial Union Councils—with AFL unions added. Or they could develop into con-

IUD, for instance, is parallel to the

Metal Trades Dept. The latter's annual report, issued two weeks ago, called its local Metal Trades Councils "of invaluable aid in dealing with employers and in coordinating collective bargaining activities," and noted that bargaining through its local councils "on many occasions simplified and strengthened our position.

Privately, leaders of many unions that joined IUD last week believe that its course can be directed toward such an added bargaining function. They want to be in the department if it can be.

Otherwise, they may leave.

II. Shifting Tides

The new Industrial Union Dept. is not the only one being watched in AFL-CIO ranks. A flow of former CIO unions into the Metal Trades Dept. and the Maritime Trades Dept. could eventually bring about major changes in each, both structurally and from a standpoint of control and policies.

The United Auto Workers and the United Steelworkers, with about 2.5million members between them, are eligible for membership in the Metal Trades Dept. for almost their entire numerical strength. Other former CIO unions could sign up for at least part of their memberships. If they do, former CIO unions would easily outweigh those from AFL unions in the department, which now claim a maximum 2.554.938 members.

UAW has no immediate plans for affiliating with the Metal Trades Dept. and other former CIO organizationswith the possible exception of the steelworkers-are likely to stay out of the department unless UAW and Reuther

lead the way in.

• Tradition-Since the Metal Trades Dept. is one of the bases of traditionalism within AFL-CIO (the Building & Construction Trades Dept. is another) any influx of one-time CIO unions into its ranks could lead to friction-and probably would force important policy changes. There is a definite fear of this in the department.

Similarly, the National Maritime Union headed by Joseph Curran is expected to lead former CIO maritime unions into the Maritime Trades Dept., dominated in pre-merger days by NMU's rival Seafarers' International Union led by Harry Lundeberg. Curran and Lundeberg have clashed frequently in the past. Before the recent merger, the prospect of power maneuvers within

the Maritime Trades Dept. led to an exchange of correspondence between Curran, who demanded assurances that CIO groups would not be frozen out of the maritime department, and Meany. The latter assured Curran that it is "compulsory that the department shall take into membership any appropriate union which applies for membership." CIO unions were guaranteed their full rights. But trying to claim them may lead to trouble.

The Railway Employees' Dept. is due for expansion, too. Affiliation of the now-independent Brotherhood of Locomotive Firemen & Enginemen and Brotherhood of Railroad Trainmen with AFL-CIO is now only a matter of technicalities, and should be consummated by mid-1956. They will add 300,000 to the department's membership, but will not materially affect the present lead-

ership of policies.

III. Mergers on the Way

Meanwhile, completion of the mer ger of AFL and CIO has set off unity discussions on lower levels. Last week, the United Packinghouse Workers from CIO and Amalgamated Meat Cutters from AFL announced that they had reached an accord smoothing the way to a merger probably in May.

Less advanced negotiations are under way between former AFL and CIO shoe-workers' unions, chemical unions, and a number of others. Federation leaders, who are "encouraging" rival groups to get together, are confident that by the end of 1956 a "half-dozen or more" important mergers will be completed. Within a decade, they add, the 142 unions in the federation may be consolidated into perhaps half that

· New Patterns-The implications for management in this are obvious. Bargaining patterns will change wherever one large union is substituted for two or more in an industry or even in a large

company's plant system.

Take the impact of the probable first merger, of UPW and the Meat Cutters. Although the two unions have in recent years worked fairly closely together, they have never achieved real bargaining unity. Once they merge, they will represent fully 95% of the meat industry's unionized workers instead of roughly half that number each. It goes without saying that the bargaining power of the merged union will far exceed that wielded by any meat union in the past.

The same thing is likely to be true of the shoe manufacturing industry in 1956. Eventually, perhaps within the year, it will be true in the chemical industry and in textiles-two fields in which AFL-CIO top leaders feel that organizing and bargaining must be pressed by labor.

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ADVISER Joseph Baker is an example of

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He is coaching ployers on handling the problems of integration in their work forces.

With all its new weight, the merged AFL-CIO says it's preparing to move in against racial discrimination, particularly in industry. If AFL-CIO follows through on its declaration, many employers who have not integrated their workers are sure to meet up with some knotty problems. They could face both an economic and a public relations attack.

Where can a businessman turn for help if he's unfamiliar with all the problems of integration?

First, of course, there are his colleagues-other businessmen who have already integrated their employees. He could look for help, also, from organizations like the National Urban League, the President's Committee on Fair Employment Practices, and local civic groups that have been studying the problems these last few years.

But he will find, too, that there has been enough call for advice on integration problems to make a place in this field for private consultants, as well as public groups.

• Top Clients-A more or less typical private consultant in this field is Joseph V. Baker (picture), head of Joseph V. Baker Associates, Inc., of Philadelphia. His outfit has among its clients U.S. Steel Corp., Radio Corp. of America, Assn. of American Railroads, Armour & Co., American Tobacco Co., and Schenley Industries Inc.

Baker, born in South Carolina,

trained for a while as a teacher, then worked a short time for the Philadelphia Tribune and the Public Ledger before he moved into the counseling business. He made that shift in 1934,

when he had just \$75 in capital. He landed his first client soon after unions approached red cap porters employed by Pennsylvania RR. The unions were trying to organize the porters, and were telling them that instead of working for tips they should organize and demand weekly pay. Baker says he was invited to Pennsy's executive offices and asked to report on the Negro community's reaction to the organizing

Whatever his approach, Baker's work on this job for the railroad led to his winning the American Tobacco Co. account. And then he was on his way.

Today his firm, situated in a luxuriously converted house in Philadelphia, has a staff of 13, its own private library and research librarian. Its standard fee

is \$100 a day, plus expenses.

• Ethics and Sense-Some companies look on racial discrimination in employment as something to be solved for ethical reasons. Baker figures that, more than this, it makes good business sense to hire Negroes. As he sees it, his job is to help his client get more Negro good will and thus a larger slice of the Negro market. He approaches his job in three ways:

· By working through the Negro press-one daily newspaper, 106 weeklies, and six magazines.

· By advising clients on integration of Negroes in their work forceincluding up-grading and hiring of topflight personnel.

. By "keeping the client in good" with Negro civic and fraternal organizations. He publishes several papers for clients, playing up their activities in the race relations field.

Most important, Baker stresses, the client must give Negro employees opportunity to advance after hiring them. One of his clients with 63% Negro employment was condemned by a union before the President's Committee on Fair Employment Practices. The charge was discrimination in up-grading. Charges were dropped when-among other things-two Negroes were made foremen. Baker advises his clients that Negroes are more concerned about doors that open higher than about doors that open on the ground floor. · League's Work-The National Urban League also works in the field of industrial race relations (BW-Dec.18'54, p76). Unlike Baker, NUL helps companies hire qualified people by acting as an employment clearing house. Also, through negotiations, NUL seeks to encourage businesses to hire and promote Negroes on the same basis as whites. While Baker and other con"What a <u>fortune</u> under one ROOF!"



... an interview with the spirit of Rembrandt van Rijn, whose works of art are treasured and protected by the New York Metropolitan Museum of Art



Rembrandt? Well, well! We're honored to have you pay us a visit. What do you think of our New Amsterdam?

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In a nutshell, Rembrandt, the old roof was made of a material that just couldn't stand up against the punishment handed out by weather, winds, and corrosive atmospheres. So the museum authorities immediately started a search for the roofing material that would give masterpieces permanent protection. A search that led to just one material, Monel*.



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Don't worry about the museum roof, Rembrandt. It's very safe now. But you would have worried back in the 1930's. The roof did leak then...

And how I did worry then! Particularly when I saw attendants placing pails around to catch drippings during rain storms. What in the world was wrong?

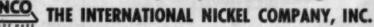


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sultants concentrate on the immediate benefits to be derived from integration, NUL lists this as only one of at least three reasons why a policy of nondiscrimination in hiring and promoting is desirable.

First, says NUL, the waste of skills resulting from discrimination is detrimental to the nation. Second, good sacial treatment means better sales. And third, NUL maintains, America's policy of urging underdeveloped countries to raise their standard of living seems contradictory when hiring policies at home shut out one group of people.

• Two Goals—Generally, NUL regards Baker as an ally, though occasionally it disagrees with recommendations Baker makes to his clients. "Our long term goals are a little different," says an NUL official. "Suppose a Negro has a quarter in his pocket. Baker, and other consultants, will try to see that their clients get this quarter when it's spent. That's all right. But NUL is concerned with where and whether that Negro is going to get another quarter to spend."

LABOR BRIEFS

More labor law is in the making. The Supreme Court agreed this week to hear an appeal from a lower court decision involving the "show-the-books" rule. An appeals court ruled earlier that Truitt Mfg. Co. of Greensboro, N. C., hadn't committed an untair labor practice by refusing to open its books to back up a claim that it couldn't afford a wage increase sought by the union (BW—Sep.3'55,p92).

"Bad habits and bad tactics" are the cause of much pressure for government interference in labor relations, Joseph Finnegan, director of the Federal Mediation & Conciliation Service told the annual meeting of the New York State School of Industrial & Labor Relations Faculty-Alumni Seminar last week. Bad habits, he said, stem from unavoidable wartime laxity. Bad tactics are used by some groups that try to enlist government support and, failing this, seek to discredit the agency involved, Finnegan declared.

A 16½¢ package increase for railway nonoperating employees was recommended this week by a Presidential fact-finding board. Some 750,000 workers may receive a 1½¢-an-hour pay hike retroactive to Dec. 1. Another 2¢ makes up the cost to railroads of taking over sole support of health and welfare plans now jointly financed. Recommendations of the board are not binding. Earlier, operating employees gained 8¢-10½¢ an hour pay boosts.



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Wall St. Talks . . .

... about money market moves . . . high among oils . . . hidden catch in rail earnings.

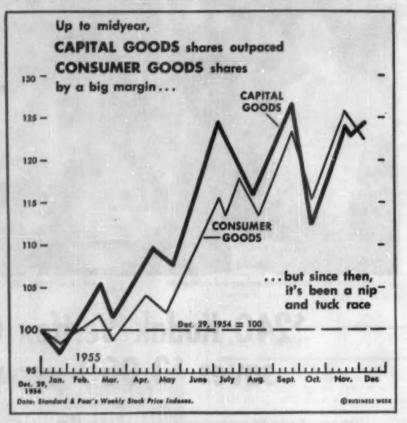
This week in the money market: The Treasury's 91-day bill offering sold on a 2.591% yield basis—the highest bill rate reported since early 1933. Last week's rate was 2.471%... Rates were hiked ½% on bankers' acceptances and finance companies' commercial paper offerings... Underwriters are having trouble selling new, high-grade, long-tetm, corporate issues that offer 3.21% to 3.27% yields... Dealers are having to cut prices to move municipal offerings—and \$353-million worth are still on their shelves.

Superior Oil of California stock tocketed \$180 last week to hit \$1,080 a share. That's the highest price for a Big Board issue since Coca-Cola, International (now \$975 bid) sold at \$1,160 in mid-September.

Don't take today's rail earnings at face value, Strecters warn. The reason: They've inflated by ICC accounting regulations covering the accelerated amortization now permitted to be charged in figuring taxes. ICC pemits no such charge-offs, over and above the normal rate, to be included in operating expenses. But the roads get the benefit of the lower income tax payments that result. Since \$3-billion of facilities are now being amortized over 60 months (20% yearly vs. normal 3% to 4% rates) such 1955 tax deferments will run around \$182-million. Net income of the Class I roads may hit \$900-million this year, a figure approached only in 1929, 1942, and 1953. But tax deferments will account for 20% of that net.

One factor partly responsible for the fabricators' scramble to build up copper inventories: "A desire to avoid substantial taxes on LIFO profits," says Standard & Poor's Corp.

When checking how much tax you owe on your 1955 stock market profits, make sure you haven't forgotten to pay earlier income tax accruals. Washington says a drive to collect nearly \$2-billion in delinquent federal taxes has been under way quietly for eight months. Some \$500-million of this is being sought in New York, a good bit more in California and Illinois.



Both Show the Strain

Ever since the bull market really started generating power back in September, 1953, the capital goods shares have been moving at a faster pace than the consumer goods shares. But this year, the gap between the two indexes was narrowed. In fact, since late summer the two have been running neck and neck (chart).

It isn't too surprising to see the consumer goods index hold up better under heavy selling pressure such as characterized the "post heart attack" market of late September. What is surprising is that the consumer goods shares stayed ahead of capital goods right up to the November highs. Since then, consumer goods have slacked off, and the capital goods index has moved in front—though just barely.

• Group Picture—Indexes as broad as these are a guide to general trends. Look behind the indexes at the individual groups that are providing the push or dragging anchor (page 154), and you get a better picture of a stock market at record high levels, but straining.

For one thing, both indexes are being swept along by a handful of industrial groups. The consumers goods

index, for instance, is currently 19.8% ahead of its yearend level. But only five component groups are higher than the index itself, one group is a shade below, and the remaining 19 groups are well below that mark. And the hottest groups within the consumers goods index are really those most nearly akin to capital goods industries—autos, up 44.8% from last December; auto parts, up 19.3%; and tires, up 29.3%.

The capital goods index has its few star performers, too. The index as a whole has risen 24.7% above its yearend, 1954 level, but only one-third of the groups in the index are above or just below that mark. However, the advance has been more general for the capital goods index than for consumers goods—nine of 14 groups are either above, or no more than 40% below the index as a whole, while only nine of 25 in the consumers index are either above or no more than 40% below the over-all mark. The top groups for capital goods index have been steel, up 46.5%, and chemicals, up 30.2% since last December.

• On the Sidelines-The hottest industry group in the stock market right



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now isn't benefiting either of these indexes, because it isn't included in either of them. That's the aircraft industry, which has come to life under the impetus of hefty orders for jet airliners, higher prices on defense contracts, and talk of a \$1-billion increase in defense funds for fiscal 1957, with most of the increase going for new aircraft and guided missiles. Douglas is currently 32% above its October low. North American has gained 36% since its October low, and Glenn L. Martin, so far unfazed marketwise by the crash of its huge jet seaplane, up 24% from the October low. By contrast, Standard & Poor's index of 50 industrial stocks has gained only 12% since the low point two months ago.

Despite some handsome gains in a few scattered issues, nothing approaching a yearend rally has developed yet. Analysts who are fond of using past performance as a guide to future action cite the fact that in 70% of the past 57 Decembers, the averages have advanced. Since Nov. 30, however, the 50 industrials have gone nowhere, and

the rail index, which struck a powerful stride just a couple of weeks ago (BW— Dec.5'55,p170), has slumped nearly 3% below its Nov. 30 close.

• Snowball Fears—The laboring of the indexes at this time has many analysts worried because they fear the market is particularly susceptible now to any sort of bad news. The simple announcement that Pres. Eisenhower was "showing signs of fatigue" caused a drop of more than five points in the industrial index the following day. What makes the situation even more edgy is that the volume of tax selling is picking up tempo—thus there is a fairly steady flow of selling at each session and anything that causes additional selling could have a snowballing effect.

How selective the market has become in the past few weeks was pointed up in the most recent study of over 1,000 Big Board issues by Harold Clayton, of Hemphill, Noves & Co. He points out that during the past four weeks, only 22% of all common stocks have really shown any upward zip. The remaining 78% of the market is up less than one point, actually lower than a month ago.

Behind Capital and Consumer Goods Indexes

	1954	1955	Range	Recent	-1955 (Jains
	Close	High	Low	Lord	Maximum	Now
COMPONENTS OF CAPITAL GOODS INDEX						
Agricultural machinery	180.3	193.8	173.8	180.0	+ 7.5%	- 0.2%
Building materials	286.8	347.1	276.9	343.1	+21.0	+19.6
Chemicals	368.2	494.8	350.0	479.4	4-34.4	+30.2
Copper	241.0	311.1	230.4	287.2	+29.1	+19.2
Blectrical equipment	333.3	379.3	315.9	359.2	+13.8	+ 7.8
Pertilisers	601.4	585.7	444.0	481.7	- 2.6	-19.9
Lead, Zinc.,	107.4	126.1	104.2	114.1	+17.4	+ 6.2
Machinery	235.0	282.3	227.8	282.3	+20.1	+20.1
Mining, smelting	177.3	241.3	175.4	227.0	+36.1	+28.0
Office business equipment	470.3	582.3	462,1	551.3	+23.8	+17.2
Railroad equipment	137.4	152.1	133.1	152;1	+10.7	+10.7
Shipbuilding	392.0	579.5	389.8	451.6	+47.8	+15.2
Shipping	624.4	793.5	677.8	793.5	+27.1	+27.1
Steel	351.0	517.9	341.8	514.2	+48.1	+46.5
COMPONENTS OF CONSUMER GOODS IND	RX	1				
Autos	338.8	534.3	329.6	490.3	+87.7	+44.8
Auto parts, accessories	231.2	275.8	227.7	275.5	+19.3	+19.3
Beveragee—Brewere	236.5	286.3	207.4	207.4	+ 5.8	-12.3
Distillers	473.5	531.6	434.7	467.2	+12.3	- 1.3
Soft drinks	115.5	141.1	116.1	130.5	+22.2	+13.0
Cigar mahers	163.1	201.3	156.0	201.5	+23.5	+23.5
Cigarette manufacturers	83.0	97.7	79.0	97.7	+17.7	+17.7
Confectionery	152.5	169.8	146.4	155.6	+11.3	+ 2.0
Containers—glass	166.3	199.3	164.5	190.8	+19.8	+14.7
motal	151.1	187.2	133.8	157.2	+ 4.0	+ 4.0
Drugo-Ethical	199.3	235.8	188.0	211.4	+18.3	+ 6.1
Proprietary, cosmetics	229.0	277.9	220.7	277.9	+21.4	+21.4
Ploor coverings-Hard surface	161.7	182.7	147.3	162.4	+13.0	+ 0.4
Carpeta, rugs	119.6	139.1	119.4	127.2	+16.3	+ 6.4
Food products	204.6	216.6	201.1	211.8	+ 5.9	+ 3.5
Loather	168.7	212.9	172.7	176.7	+26.2	+ 4.7
Motion pictures	259.0	278.0	242.6	245.0	+ 7.3	- 5.4
Printing, publishing	174.4	185.6	163.4	185.6	+ 6.4	+ 6.4
Radio, electronics	415.2	515.6	405.3	450.3	+24.2	+ 8.5
Retail stores	244.9	302.4	242.3	297.0	+23.5	+21.3
Mom	142.4	164.6	141.9	158.6	+18.6	+11.4
Soupe	269.2	312.9	278.7	297.0	+16.2	+10.3
But	121.8	135.7	120.0	129.7	+11.4	+ 6.5
Tentiles, appareis	268.8	300.8	253.1	278.8	+11.9	+ 3.7
Tires, rubber	875.1	1131.3	856.0	1131.3	+29.3	+29.3
	The same		-			

Data: Standard by Poor's Carp. Weekly Stock Groups (1935-1939 = 100).

ADDRESS.



On transcontinental pipeline labove, Anaconda Type CP cable is welded (below) to the metal surface to help check corrosion by Cathodic Protection.

PROGRESS THROUGH ANACONDA METALS

Cable that helps make the pipeline a good neighbor



THE PROBLEM: To oil and gas companies, who always do their best to be friendly neighbors, one of the biggest problems is checking costly corrosion on their great transcontinental pipelines. The steel is eaten away, gases or liquids leak out, service is interrupted, substantial waste results. In addition, repair costs are great.

Although most people don't realize it, corrosion of buried metals is often caused by tiny stray electric currents that flow from the metal into the surrounding soil or water, carrying particles of the metal with them.

THE SOLUTION: One way to stop corrosion is to reverse the flow of current

by applying direct current from an outside source, forcing it to flow from the surrounding material into the metal. This is called cathodic protection. Insulated electric cable is used to connect a source of power and a ground-bed system of special anodes to the metal at regular intervals along the entire pipeline.

But the cable presented a problem because it, too, has to withstand moisture, acids and alkalies in the soil. Here's where Anaconda engineers came up with the answer. From years of experience with all types of direct-burial cable, they knew that a conductor insulated with polyethylene plastic and jacketed overall with a vinyl plastic would resist these conditions.

By combining this knowledge with its metals and cable ability, Anaconda produced a special cathodic protection cable (Type CP) that lasts far longer on the job. Now pipelines can be protected from corrosion . . . are good neighbors wherever they're installed. And costly corrosion of gas mains, lead-covered cable, ships' hulls, water tanks and other metal structures is being checked.

THE PUTURE: From copper and aluminum wire and cable . . . to a full range of products in copper and its alloys for industry . . . Anaconda and its manufacturing companies — The American Brass Company, and Anaconda Wire & Cable Company—constantly seek new and better ways of doing things with the most extensive line of nonferrous metals and products in the world. The Man from Anaconda will be glad to help you with your problem. The Anaconda Company, 25 Broadway, N. Y. 4, N. Y.

ANACONDA

BASIC SALES STEPS



APPLY BUSINESS PAPER ADVERTISING HERE

Sound and consistent product advertising is the best, quickest and cheapest way to accomplish the preliminary steps in building an order.

AROUSE INTEREST

POR GREATER SALES

CREATE PREFERENCE SPECIFIC PROPOSAL

With Advertising (Mechanized Selling) functioning properly on Steps 1, 2, 3 the salesman can concentrate more of his valueble selling time on the important job of producing finished orders.

KEEP CUSTOMERS

...apply advertising to help the salesman hold the line against competition—lay the foundation for future sales.

.. to the dotted line



At any given moment, the average industrial salesman's list of accounts will provide examples of the various steps to a sale. You'll find prospects he's trying to contact . . . others whose interest he has aroused . . . still others who have evidenced a preference for the product he's selling.

He'll have examples of the pay-off steps, too. Accounts to whom he has made specific proposals... orders awaiting signatures. And, if you don't think the tally of orders is high enough, the circumstances may be the answer.

"Bird-dogging" for prospects, for instance, may be costing orders from immediate buyers. But this is one situation that can be changed. You can "mechanize" the first three steps to a sale—and buy your salesman more time for the pay-off steps—by using Business Publication Advertising. For pennies per call, your advertisement in business magazines will reach new prospects with the same story your salesmen tell in their early visits—what you make—how it helps—why it's better.

Perhaps, in re-evaluating industrial salesmen's time, you'd like to see the McGraw-Hill booklet, "How Many Accounts Can Your Salesmen Handle?" Ask your McGraw-Hill man for a copy. And the next time you figure out quotas, figure in business publication advertising.

McGRAW-HILL

PUBLISHING COMPANY, INCORPORATE



330 WEST 42nd STREET, NEW YORK 36, N. Y.





"UPSTATE, N.Y."



UPSTATE, N. Y. has everything industry and business needs to grow and prosper. Take the Syracuse area for example. Over 200 nationallyknown concerns have come and built modern industrial plants and warehouses and set up offices here. Why? Location! It's the center of the rich Upstate New York market for consumer and capital goods. This strategic location is overnight from onethird of the U.S. population.

Add to this an unusual concentration of skilled, homeowning workers ... remarkable industrial research facilities ...a plentiful supply of low-cost Niagara Mohawk electricity ... and many other competitive advantages we would like to tell you about. Just drop a line to Earle J. Machold, President, Niagara Mohawk Power Corp., Syracuse, N.Y.



The New York State Thruway flows through the heart of the Niagara Mohawk System. At left you see an artist's concept of the busy Syracuse area. More and more industries are making it their headquarters for both management and manufacturing.

powered by NIAGARA MOHAWK

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PERSONAL BUSINESS

BUSINESS WEEK DEC. 17, 1955



If you are a sedentary executive, you are likely to fret about how to keep in good physical trim without exercising to the point of exhaustion. The answer may well be in archery, a sport that has lately been enjoying a large new boom.

Some doctors say that archery provides better all-around exercise than any other sport, including swimming—and does it with less strain and exertion.

It tones up and toughens chest and back muscles, tends to flatten the stomach, demands good posture. Retrieving arrows provides plenty of walking and bending.

Another advantage in archery is its extreme versatility. You can engage in either target-shooting, field archery (shooting at animal-silhouette targets at varying ranges), hunting or fishing with the bow and arrow, or all of them.

Whether it's for fun or in competition, archery makes an excellent family sport; your wife and children can get the same benefit and pleasure from it. And it's nonseasonal. For bad weather, you can have a range inside your house, even in a small area. (This gives you the same basic exercise as outdoor shooting, since proper shooting requires that you pull the bow fully, no matter how close the target.)

Don't assume from all this that you can either be a good archer without long practice, or that you can take it up successfully without giving it some thought. As in all other sports, the approach can spell the difference between real enjoyment and immediate discouragement.

The biggest mistake a beginner makes is being "overbowed"—that is, he starts with a bow with much too heavy a pull. The experienced archer can easily pull and hold a 45-lb. to 60-lb. bow. But any beginner, no matter how athletic, should start with a bow that has a maximum pull of 25 lb., preferably less.

The reason is that he is using muscles that he uses for almost nothing else. So not only would he have trouble pulling a heavy bow to full draw; he would be unable to hold his aim steady on target. Moreover, strength is secondary for the good archer—the national women's champion, for example, uses only a 30-lb. bow. Much more important is proper coordination.

Start by assuming you will get two bows. Your first should have, say, an 18-lb. to 25-lb. pull. After a couple of months of steady practice, you will probably be able to handle a 45-lb. bow—the one most commonly used for target shooting and hunting. Then you can use your first bow for guests or your family.

Archery doesn't have to be expensive; you can outfit yourself with good equipment for less than \$50. Thus it is best to buy an inexpensive light bow to start with (around \$10 for an all-glass bow). You can get a championship 45-lb. bow for as little as \$25.

By contrast, it's important to get good arrows right from the start; experts advise that you pay no less than \$1 apiece for them, and that you get a matched set, so they all have the same flight characteristics. Best arrows are now considered to be aluminum.

PERSONAL BUSINESS (Continued)

BUSINESS WEEK DEC. 17, 1955

Buy your equipment personally at a store where an expert can help you choose the right type and weight bow, the proper arrows (length depends on your reach).

He can explain the difference between the three basic types of bows—straight, reflex, and recurve. (The last two give more speed and distance.) Bows are made from aluminum, steel, glass, or wood. Best and most durable bows are laminated of wood and Fiberglas. But no bow is really unbreakable.

Although it's best to get instruction, you can teach yourself to become a good archer. There are many good books on the subject. One of the best sets of instruction is included in the Robin Hood Archery Co. catalogue. It is by Ann Weber Corby, five times national champion.

Finally, note that most states now have a bow-and-arrow deer season. But if you try hunting, don't expect the same results in meat that you would get with a gun. The true archer gets as much fun just from the try as the gunman gets from the kill.

Americans are rediscovering Spanish sherry—thanks partly to the rediscovery of Spain by American tourists. Imports this year jumped 15%.

Spanish sherry is a wine made of certain white grapes, fortified with brandy. It is stronger than other wines, ranging between 15% and 20% in alcoholic content. Age strengthens it more, by as much as 4% to 6%. Sherry does not deteriorate when decanted.

The sweet cream sherries are still the big U.S. seller. But lately dry sherry has been getting more popular. Among other reasons: Businessmen are finding it a good, mild pick-me-up at luncheons; more hostesses are serving it instead of cocktails before dinner.

Driest of sherries is the Manzanilla. Next is "fine" sherry, still dry but in some brands having a tart taste. Between dry and sweet are the Amontillados, which have a more pungent flavor than the dry. The "regular" sweet sherries are called Oloroso, have a nutty after-taste. Sweetest are the cream sherries.

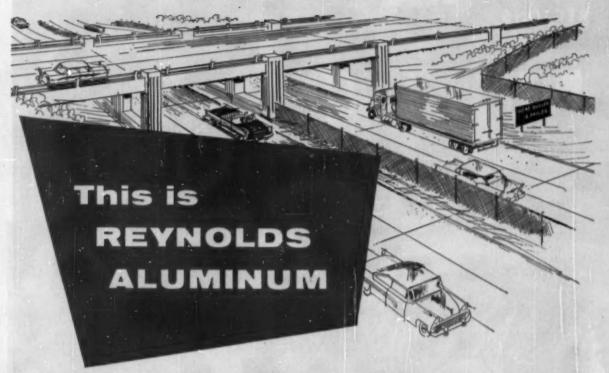
Incidentally, experts say you should always use the same quality sherry for cooking that you use for drinking.

If you're driving from the Northeast to Florida after the holidays, get Esso's new "upside-down" map. Names and route numbers are right side up when the tip of Florida is at the top of the map.

Note for winter sailors: From Jan. 2 through Jan. 7, the Montego Bay Yacht Club, Jamaica, will sponsor its first international regatta for sailboats of the Frostbite class. Rates start at \$319 for an all-expense, eight-day air trip from New York.

Manners and modes: College freshmen of 25 years ago were better students of spelling and grammar than their freshman sons are today, says one survey. . . . You can give a gift certificate for such items as a villa on the Riviera or a gold mine in Colorado through Previews, Inc. . . . A new after-shave lotion called "Outdoors" gives the face a tanned appearance.

Contacts contributed ander the second comprisate on the Sec. 17, 1988, Inno. - Surlages West, 300 W. dies St., New York, N. Y.



... on the Highways of America

In the splendid highway building and improvement programs of most of the states—one word is continually growing in importance—Aluminum. In signs, bridge railings and protective fencing aluminum is proving itself the ideal material—providing more value for tax dollars. Because aluminum is strong, rust-free, corrosion resistant and light, it has longer outdoor life, needs less maintenance, is easier to install. And these are some of the good reasons so much aluminum is turning up everywhere—in most products

you buy, the car you drive, and in the basic equipment of many industries.

For aluminum applications on the highways Reynolds supplies a variety of mill products including newly developed extruded sections for signs that assure greater permanence and savings on upkeep and sign erection.

And in all industry Reynolds pioneers the development of profitable aluminum uses. To learn how Reynolds can serve you and your industry, write Reynolds Metals Co., P.O. Box 1800 GA, Louisville 1, Ky.

Reynolds Aluminum for Highways



Superhighway Signs . . . Exclusive Reynolds designed inter-locking and nesting extruded panels provide extra strength, easy installation.



Bridge Railings . . . Strong, lightweight aluminum sections. Rustfree and attractive, never need painting or any other preventive maintenance.



Chain Link Fencing... Nonrusting aluminum fencing requires no painting or other protective maintenance. Its greater beauty is permanent.



Highway Signs... Aluminum sign blanks provide greater resistance to vandalism. Longer life with lower maintenance reduces cost.

See Reynolds New Program "Frontier" -- Sundays on NBC-TV

REYNOLDS



ALUMINUM

MODERN DESIGN HAS ALUMINUM IN MIND



Is It Piracy, or Fair Game?

One chilly morning last week, an Ohio manufacturer of kitchen appliances received an unusually warm phone call.

The caller, who identified himself as a representative of an industrial development commission in a Southern town, had "a cordial invitation" to extend. He had heard some things lately-mainly about the local labor situation

-that made him wonder whether the manufacturer was completely happy in his present location. Would he, perhaps, be considering a move to a "friendlier" climate? If so, the representative might be of service, and his town would be delighted to have the manufacturer pay it a visit.

The representative mentioned a few things that he thought might be appealing—"cooperative" labor; a new plant, built to the company's order, which it could pay for with low carrying charges; tax exemptions for 10 years; payment of moving expenses. He finished by suggesting a confidential chat, perhaps at lunch. Mildly interested, and feeling that he had nothing to lose, the manufacturer went to lunch.

• A Point of Morality—Over the past

A beautiful Solution to noise control problems



Johns-Manville

In American Oil Company's New York offices, Johns-Manville Permacoustic units provide the dual advantages of relaxing quiet and beauty of appearance. Architect: J. Gordon Carr, New York City.

macoustic decorative acoustical units

J-M Permacoustic® is an acoustical ceiling unit that combines maximum acoustical efficiency with noncombustibility and also provides unusual architectural beauty.

Permacoustic is available with either a textured or fissured surface. These random-textured finishes increase its high sound-absorbing qualities, and provide design and decorative interest.

Made of mineral wool fibres, Permacoustic is rated incombustible. It is easy to install on new or existing ceilings or slabs, or by use of conventional suspension systems.

For a complete survey by a J-M acoustical expert, or for a free booklet entitled "Sound Control," write Johns-Manville, Box 158, Dept. BW, New York 16, New York. In Canada, write 565 Lakeshore Road East, Port Credit, Ontario.

INFORMATIONAL DATA ON PERMACOUSTIC

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e kam	ACOUSTICAL EFFICIENCY Test No. A55-88	Tost No. A55-87
cyclos por second	comented to plaster board (mounting No. 1)	mechanically mounted an special motal supports (mounting No. 7)
125 230	.16 .35	.44 47
1000 2000 4000	.35 .85 .86 .87 .77	
noise reduction coefficient	.70	.45
weight par sq. ft. "Also available in	1.3 %" thickness	1.3

See "MEET THE PRESS" on NBC-TV, sponsored on alternate Sundays by Johns-Manville.



few months, incidents such as this one—which is actually a composite of several conversations business weeks reporters learned about last week—have become increasingly common. To some people, they seem quite proper, entirely in keeping with the principles of hard-driving American salesmanship. To others, they are deplorable, the worst sort of economic piracy.

Whatever the moral judgments, it is obvious that more and more businessmen this past year have been made personally aware of sales tactics such as these-both of the high- and low-pressure varieties. Three things, mainly, are

responsible for it:

 The well-publicized rumpus that stemmed from charges by New England states that Southerners were trying to steal away their flood-ravaged plants

(BW-Sep.10'55,p139).

• The continued sharpening of competition among states and cities for new industry, and the growing tendency to offer special inducements to get it. In the past year alone, 15 states added new lures to their industrial promotion kits, or set up new departments or agencies to handle their sales campaigns. Their promotional drum-beating has jumped noticeably in volume.

 A growing criticism—much of it in public—of the use of subsidies to attract industry. Despite the fact that more states and cities are resorting to them, more people are questioning the

wisdom of special incentives.

I. A Busy Industry

If the American economy can be said to possess a set of standard fixtures, one of those fixtures is certainly industrial development. The antecedents of today's brand of governmental aid to private industry go all the way back to colonial days, and they first came to flourish in the canal- and railroad-buildings eras. As early as 1848, Utica, New York, had what looked very much like a 20th Century industrial development corporation. It was set up to bring in a needle plant using steam engines, and it offered a building and a site.

Today, all but two states-California and Texas-have some sort of economic development and planning agency. Atop some of these are regional groupsnotably the New England Council and the Southern Assn. of Science & Industry. Below is an ever-spreading cluster of semi-public and private development corporations or foundations, organized in counties, cities, and towns. The records of the U.S. Commerce Dept. show that at least 2,100 of these local groups have been set up since Commerce admits that there are probably many more that it knows nothing about.

In the main, the job of the state de-

velopment agencies is to convince outsiders that here, indeed, is the promised land for industry. The techniques for persuasion are, by and large, conventional ones--advertising, direct mail, economic surveys and research, personal calls on prospects.

At the town and county levels, the local agencies do much the same sort of missionary work, but propagandizing is only a part of their job. Their most important chore is the buying of sites for sale or gift to new industry; the building or buying of plants for sale, lease, or gift; and the arranging of financing and tax exemptions for incoming companies.

II. How It Operates

There's a good example of the work these town and county agencies do in the postwar business history of Val-

dosta, Ga.

In 1947, Valdosta's businessmen, taking their lead from the chamber of commerce, set up a private tax-paying corporation to bring in new industry. The plan was to buy some good industrial acreage and turn it over to an incoming plant at an attractive price. If necessary, the corporation would build a plant and lease it to the manufacturer at a rate calculated to return its investment over a 20-year period.

Valdosta Industries, Inc., started off with \$40,000 in capital and a direct mail and advertising campaign. Before the year was out, it had found a customer—the metal products division of Thompson Industries. Valdosta Industries bought a \$5,000 lot, built a \$35,000 plant, and leased the package to Thompson for 20 years. Thompson brought in a payroll of 250 workers and, in the years since, Valdosta has had to expand the plant three times.

Thompson's entry, in effect, put Valdosta Industries No. 1 out of business. The \$40,000 took all its capital. Not until 1954, did the businessmen set up Valdosta Industries No. 2. But the void in the meantime was filled by the

chamber of commerce.

• Second Customer—Through a series of moves, land was made available to National Container Corp. to build a \$28-million mill for its kraft operations. The tract, actually part of a sewerage district that the city of Valdosta established in the lower part of Lowndes County, was bought by the chamber of commerce and deeded to National. National, in turn, bought all the ceunty bonds to build a new sewage disposal plant in the area.

Last year, Valdosta Industries No. 2 came into being, with capital this time of \$150,000 and power "to do just about anything except sell fish." It can borrow or lend money; sell, rent, exchange, lease, give away, or develop real

estate; buy machinery; deal in securities; and engage in manufacturing, refining, or farming. So far, Valdosta No 2 has borrowed \$100,000 to help finance a new plant for Oberman Mfg. Co., a clothing maker of Jefferson City. Mo. Oberman is leasing the plant-valued at \$225,000—at \$16,000 a year for 20 years.

Although Valdosta is prohibited by law from offering tax concessions to new industries, its policy is hardly one of soaking industry. Rule-of-thumb assessments by Georgia counties run at about 25% of appraised value. Taxes on the Oberman plant figure out to

about \$3,000 a year.

III. The Newest Lures

Since World War II, industrial promotion has caught hold of several new gimmicks. In the past year six state governors have personally taken to out-of-state stumps to spread word of their local industrial blessings. Oklahoma has sent delegations of businessmen on "industrial tours" of the Northeast. Michigan is considering a plan to appoint 200 industrial "ambassadors"—businessmen who would call on out-of-state industrialists with the message that Michigan is a good place for business.

State spending for promotion has climbed to record heights. The total for the South as a whole is now running at more than \$3-million a year on official budgets. Elsewhere individual state outlays are as high as \$2.5-million (spent

by New York in 1953).

But most significant of all has been the growing use of the more-orless standard concessions to industry. The most popular of these is the offer to give sites and plants to new industry, or to sell or lease them on easy terms. This remains the main weapon of the local development corporation or foundation—groups the Commerce Dept. believes are forming at the rate of one a day.

Other items in the industrial salesman's kit are:

Tax concessions. Twelve states—Alabama, Arkansas, Delaware, Kentucky, Louisiana, Maryland, Mississippi, Montana, Oklahoma, Rhode Island, South Carolina, and Vermont, plus Puerto Rico and Alaska—now allow localities to exempt new industry from real property taxes for specific periods, usually up to 10 years. Nine states permit exemptions or preferential rates on machinery and inventories. Where there are no specific exemptions, many localities accomplish much the same end through preferential assessments.

Industrial bond issues. Eleven states—Alabama, Arkansas, Illinois, Kentucky, Louisiana, Maryland, Mississippi, Nebraska, New Mexico, Tennessee, and Vermont, plus Puerto Rico—have passed

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laws to enable local governments to issue bonds to finance industrial plants.

The most far-reaching program of this type has been Mississippi's "Balance Agriculture With Industry" (BAWI), which started in 1936. The sites and buildings under BAWI are exempt from local taxes, and the interest on the bonds is outside the reach of federal income tax. There is divided opinion about the results of BAWI. It has brought nearly 50 plants into the state, and on that basis some people consider it a success. Others feel it hasn't lived up to expectations.

Development credit corporations. This is a device, pioneered by Maine in 1949, that is in some ways a countermove to the BAW1-type programs. Its aim is to create local corporations to supply risk capital to new industries that are unable to get financing through normal channels. The corporations are

Until this year, the credit corporations have been mainly a New England tool. It is still too early to assess precisely how much good they have done. But by midyear, the New England groups had approved a total of \$9.3-million in loans since they started and had more than \$15-million in funds pledged by 287 members, mainly banks and insurance companies.

In this year's legislative sessions, Florida, North Carolina, Kansas, and New York all put through laws patterned after the New England models.

State development authorities. New Hampshire this year passed a bill creating a State Industrial Park Authority to develop industrial sites and sell them "free and clear" to industry. State credit up to a maximum of \$1-million can be used. Meanwhile, Pennsylvania's Gov. Leader has proposed a new State Industrial Authority to be set up with an initial \$20-million appropriation for a revolving fund to develop sites and build plants for long-term lease to industry. It looks highly doubtful that it will go through this year.

IV. Pirates and Rewards

To many people, this ever-growing list of special aids to industry—and the way some of them have been used, mainly by the South—is a disturbing phenomenon. For it is a truism that as they have helped some areas, they have hurt others.

The main blasts at state and local concessions have come in the form of attacks on "raiding." It is one thing, the critics say, to campaign aggressively to get expanding industry to settle in your state. But it is quite another to offer outright subsidies to get a company to close up its present shop and shuffle off to a new one.

· Disaster's Aftermath-In the charges

that reverberated around New England after the catastrophe of Hurricane Diane -charges that were hotly denied by the South-Connecticut's Gov. Abraham Ribicoff characterized attempts to get industry to relocate as downright 'ghoulish." Earlier, an AFL report had used somewhat more restrained language: "Subsidized migration, or what might be called the pirating of plants from their established locations has taken a heavy toll in terms of unemployment, uneconomic dislocation, and sectional bitterness." The CIO, in a separate report, agreed. "Steps must be taken to end factory-pirating-a practice that exploits both the community which is foresaken and the one which has found itself a 'benefactor.' "

Just how much raiding is there? How much damage has it done?

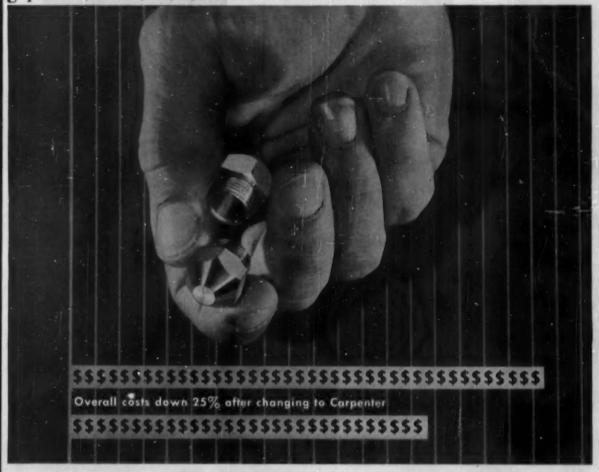
There is very little precise evidence available to answer this, but what there is suggests that the luring of plants away from established locations contributes only a small part to the statistics on industrial migration. The AFL admits this. It concedes that most companies that have moved to the South have done so for sound economic reasons-the growing market, abundant raw materials, or the cheap power. But it finds real damage has been done in three industries-textiles, apparel, and furniture-where raiding has been concentrated and that low labor costs, tax concessions, and offers of free plants have been the come-ons.

The few statistics available seem to support the finding that raiding has not had an across-the-board impact. Tennessee found that only nine of 1,350 new plants opening in the state involved shutdowns in other states. The Southern Assn. of Science & Industry says less than 1% of the South's industrial growth came from manufacturing plants financed by subsidies or concessions.

 Who Gains, After All?—Still, it is an inescapable fact that the use of concessions is growing. And with their spread, serious questions have been raised about their worth.

Much of the rethinking that is going on today is directed at tax concessions. John C. Whitaker, chairman of the board of R. J. Reynolds Tobacco Co., said in a speech a short while ago that the South, and every other region, would be better off without "fly-by-nights" whose sole reason for moving plants was lower wages and taxes.

The opinion of many experts is that widespread exemption damages the tax base, creates rivalries among homegrown and immigrant industry, and puts a check on revenues just when a town needs them most to supply new services. And, with a glance cast well ahead, they also ask: "Once an industry moves in, won't you have to keep making concessions to induce it to stay?"



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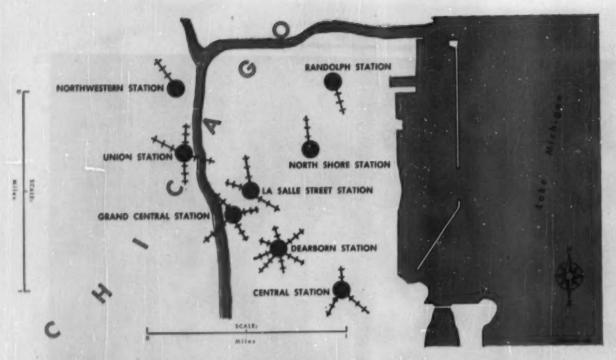
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Prize: The Cross-Chicago Travel Link

The Parmelee Transportation Co., smarting under a deal that deprived it of its century-old role as toter of passengers and baggage between Chicago's cight spraddling railroad stations (map), has bandaged up its wounds and is start-

ing to fight back.

Parmelee went on the attack with an \$8.5-million suit against the railroads using the passenger stations, three station companies, and the Western Passenger Assn., agent for the roads. There are hints that this is only the opening barrage in a legal offensive against the new contract giving the transfer busi-ness to John L. Keeshin's new Railroad

Transfer Service.

· Front Page-The contract changeover is the case that splashed over the country's front pages in connection with the resignation of Hugh W. Cross as chairman of the Interstate Commerce Commission. His resignation came after the Senate Investigations Subcommittee had looked into the case to determine whether Cross had improperly inter-vened in favor of turning over the trans-fer business to Railroad Transfer Serv-

Cross, a former lieutenant governor of Illinois, denied any improper act. His resignation, offered on other grounds, was accepted by Pres. Eisenhower before any public hearings had been held.

. In This Corner-The fade-away on the national scene, however, only increased the fierceness of the local battle, which has already spilled over into both federal and Cook County courts and involved a Chicago city ordinance.

Parmelee lost its exclusive transfer arrangement on Oct. i. The new fiveyear contract was signed by Keeshin for Railroad Transfer Service and Earl B. Padrick for the Western Passenger Assn. (Parmelee, curiously, operated not under a formal contract-except with one road-but under oral arrangements, memorandums, and letters; a contract supposed to have been made in 1911

hasn't been found.)

The Keeshin contract is not directly involved in Parmelee's \$8.5-million suit in Cook County Superior Court (the assault on it wouldn't come till later). Parmelee is suing on back claims it hadn't thought much about until it got the cold shoulder: \$7-million for bag-gage allegedly carried but not paid for since 1935, \$1.5-million for "diverted business"-groups such as baseball teams for which it says the roads used other transportation.

Defendant railroads are the 21 trunkline roads with Chicago terminals, two electric interurban lines, and a switching line. Three of the eight passenger stations are run by station companies, the rest by the roads themselves.

· Round Two-A question of interstate commerce vs. Chicago city regulations is the kernel of the second current legal scrap, this time in U.S. District Court. The question is whether Chicago can require the vehicles used in the passenger and baggage transfer to have city

"vehicle terminal licenses." What makes it a live issue as well as a legal argument is the fact that Parmelee has all the licenses there are, and a July city ordinance said no more could be granted without a hearing on convenience and necessity.

Railroad Transfer Service says the vehicles are in interstate commerce and don't need city licenses. It and the railroads got a temporary order from a federal judge restraining the city from enforcing its rule. Parmelee and the city fought the order. A further decision is due shortly.

An earlier superior court action by Parmelee to restrain two roads from interfering with its operations at La

Salle St. was withdrawn.

• Stake-Meanwhile, Railroad Transfer Service is carrying about 85,000 passengers a month between stations. Parmelee is reported to have netted some \$200,000 a year from the operation. RTS's service is essentially the same: though, except for baggage, it doesn't serve downtown hotels and clubs as its predecessor did. The roads wanted a strictly station-to-station setup.

RTS says its investment in equipment is at least \$500,000. It has 72 passenger vehicles (10 are nine-passenger Volkswagens ordered by Keeshin on a trip abroad, the rest Fords). For baggage, it has 15 cab-over-engine Fords, and 35 18-ft. trailers The vehicles carry a two-way radio system. Railroad Transfer Service is part of

Keeshin Transportation Systems. DID

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More Turnpike Woes: Truckers Shun Ohio's Tolls, and License Row Spreads

COLUMBUS—Ohio's troubles with truckers erupted again last week on two widely scattered and unexpected fronts.

Biggest sector of trouble was the 241-mile recently opened Ohio Turnpike stretching from border to border

across the northern section of the state.

Statistics compiled by the Ohio Turnpike Commission for October—the first full month of the turnpike's operation—show that truckers' use of the turnpike fell far below engineering estimates. And Ohio trucking companies admit they're boycotting the superhighway because they say it's too expensive to use.

Of total turnpike traffic in October, the commission found only 10% of it represented trucks, against engineers' pre-construction estimates of 44%. Truckers contributed only 26.1% of total revenues, compared with the

forecast of 73.5%.

Truckers maintain the road costs more than public highways, even though they have to pay the controversial axle-mile tax on the toll-free roads. Their biggest complaint is that they don't get discounts for volume use as they do on the New York Thruway or the Pennsylvania

Turnpíke.

The state's second flare-up of trouble came in faraway Missouri, where state highway police were warning Ohio truckers to buy Missouri license tags. Missouri's action was the outgrowth of Ohio's move in canceling reciprocity agreements with 20 states after the Ohio Supreme Court ruled that under the agreements, Ohio couldn't collect the axle-mile tax from out-of-state truckers.

Business Urged to Prepay UC Tax To Avoid Rate Boost Next Year

PITTSBURGH—For the second straight year, Pennsylvania businessmen are being urged to prepay their fourth-quarter unemployment compensation tax liabilities. The motivation, however, is much different from a year ago (BW—Jan.1'55,p22).

As was true last year, the problem arises because the state's UC reserve fund is dangerously close to its "peril point"—\$350-million. And the remedy recommended by the Pennsylvania Employers' Conference is the same: Pay before yearend the fourth-quarter liability normally due Jan. 31. But the similarity ends right there.

Last year, the hope was to bail out a lame duck Republican Administration. This year, under an amended law, at least part of the motivation is to avoid a boost in UC benefits by the 1957 legislature. Here's why:

UC tax rates for all employers, regardless of their employment stability, will be calculated on a more stringent schedule, starting Jan. 1, if the fund closes 1955 below \$350-million. Almost no employers would continue to pay at the lowest rate—10 of 1%—under the more stringent schedule. For Pennsylvania employers as a whole, the new schedule would raise UC tax rates an estimated 8%, producing an extra \$8-million to \$10-million per year.

As well as being stuck for a full year with this more expensive, less-flexible rate, Pennsylvania businessmen see a second stinger. They think the state reserve fund could easily wind up 1956 with a balance so high that the Democratic Administration would feel impelled to call for a heavy boost in benefits in the 1957 legislature.

That's another motivation for last week's call for

prepayment.

Storm Hovers Over Alcan's Model Town

TORONTO-Aluminum Co. of Canada has discovered that life even in a model town isn't always the way the model intends it to be.

When Alcan decided to build its huge reduction plant at Kitimat in the mountainous wilds of the British Columbia coast, it made up its mind that it would have no company town in the ordinary sense. Instead, it set out to build a community in which Alcan would be merely the major employer. Other businesses would be welcome. And the town itself should be layed out attractively, functionally.

This year, with a population of 6,000, about 900 houses up, and shops, schools, and churches up or under way, the town was settling down to the ways of civilization. Then the trouble started—brought on mainly by complaints by trade unions and the CCF (Socialist) party.

Members of the British Columbia Trade Union Congress (TLC-AFL) groused that workers had to pay \$14,000 for homes worth less in Vancouver. AFL workers complained that single men were forced to sleep between two mattresses when fuel lines to their tents failed recently in the cold.

Alcan and builders maintained that the houses were built of good materials and were priced so that, with company housing bonuses, workers could buy them fairly easily. The company admitted the \$14,000 homes could be built for \$11,000 closer to civilization; transportation into the relatively inaccessible area and high

labor pushed the price up.

By last week the complaints had grown loud enough for the provincial government to step in. J. E. Brown, deputy minister of Municipal Affairs, and also the British Columbia housing commissioner, announced he would go to Kitimat Dec. 20 to hold a hearing. "Anyone can present their ideas," he said. From all signs, he would hear plenty.

The CCF party said it was working on an extensive brief with photographs and will arrange for Brown to

see homes.

 United Steel Workers (CIO), who have been fighting for certification for a year, is preparing a case.

 AFL Aluminum Workers, who hold certification, are lining up witnesses.

What Is "Adequate" Housing?

GV

CONCERN verging on consternation seems to have been aroused in some quarters by signs of a moderate decline in residential building from the peak rate of last winter. The Government has been criticized for tightening its "controls" on mortgage credit. Some critics have demanded more instead of less aid to housing, including subsidies on a greatly expanded scale.

Prospect of High Activity

This feeling of anxiety and disapproval does not stem from a severe decline in residential building, for no such decline has occurred. Nor is the criticism based on any prospect of a serious decrease in the total volume of construction. Altogether, the Department of Commerce estimates that the value of private nonfarm residential construction in 1956 will remain near the 1955 total of more than \$16 billion and that expenditures for construction of all kinds may reach a new peak at \$44 billion, 5 per cent above the \$42 billion indicated for this year. Most private forecasts tend to support this view.

The outlook certainly tends to confirm the wisdom of the very moderate steps that have been taken to temper the demand for new construction. Without some such dampening influence, it would seem that the demand-supply equilibrium would have had to be maintained by an even sharper rise in costs, with all the future deflationary threats that the rise would have implied.

Considerations of this kind bring no apparent comfort to the housing enthusiasts, whose attention is centered on the single fact that fewer new dwellings are being started. Hence, both in and out of Congress, "tight money" in general and VA, FHA and home loan bank policies in particular are under attack. A Senate subcommittee is investigating whether these

policies are preventing "a level of building activity high enough to meet the nation's housing needs."

Preconceived Notions

This attitude reflects a type of thinking that has become quite prevalent in recent years. Applied to housing, this mode of thought starts from some such concept as "substandard" housing, "decent" housing, "adequate" housing, or housing "needs." What do such words really mean? Obviously, they are purely subjective. They express someone's idea of the sort of living quarters the people ought to have. In practice, they usually express the idea or ideas arrived at by some public official or board appointed by a paternalistic government to resolve, in behalf of the people, a personal question which the people are apparently presumed to be incapable of resolving for themselves.

The only definition of "adequate" housing that has any objective validity in a free economy is that quantity and quality of housing which users are able and willing to buy and pay for at free-market levels of cost, in view of the other possible ways of spending their money. It is as unrealistic and as uneconomic for a government to establish and attempt to enforce arbitrary standards of housing as it would be to pursue a similar course with respect to any other type of personal consumption expenditure.

From the December issue of THE GUARANTY SURVEY, monthly reciew of business and economic conditions published by Guaranty Trust Company of New York.

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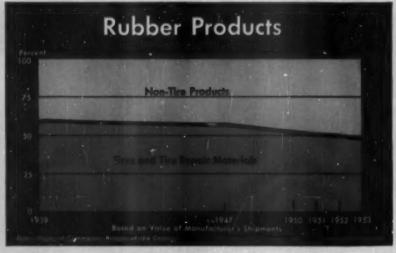


CHARTS OF THE WEEK



Scrap Hits a New Peak

Steel scrap prices have climbed to an all-time high. Iron Age's Composite shows that the average price has zoomed 45% since the beginning of 1955. That's almost 4% above the previous peak, reached early in 1951. The shove on scrap prices has resulted from strong demand as steel mills continued to operate too close to capacity for comfort. Export demand for steel scrap also has increased as Europe needs more scrap for its rising industrial activity.



Non-Tire Products Gain

In prewar 1939, tires accounted for 60% of the value of all rubber products shipped by manufacturers. Non-tire rubber products could claim only a little over 40%. But since 1953 the balance has shifted in favor of the non-tire products. That year, for the first time, they accounted for slightly more than

50% of the value of all rubber products. And this gain has been achieved despite the fact that tire output has climbed over the years.

The growth of non-tire uses of rubber was emphasized by Tom Robins, president of Hewitt-Robins, Inc., a large maker of non-tire rubber products, at a

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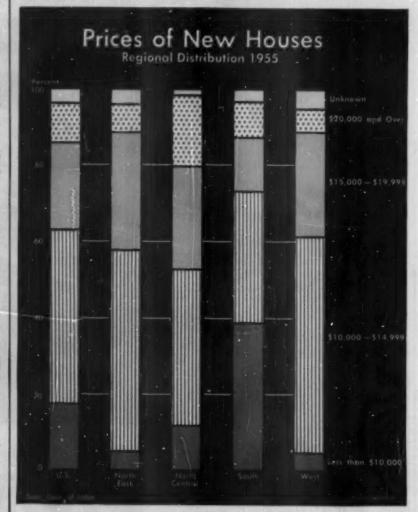
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for Sole by estate, Houses to manufacture patented highway guard rail in States of Calicorola, Texas, Virginia and District of Columbia. For information write to: Guaranty Trust Company of New York, Escutor 55 Fifth Avenue, New York 56, New York Attention: Personal Trust Department. recent meeting of rubber manufacturers in New York. Said Robins: "The rubber business to most people means tires. While it is true that tires are the largest single product, they are not as important when measured in the dollar volume as the combined production of several thousand other items in everyday use." Among the important new rubber products are foam rubber in furniture and automobile seats and floor tile. Other non-tire uses of rubber include conveyor belting, athletic equipment, footwear, mechanical rubber goods, and products for the medical and druggist professions.



What People Are Paying for Houses

More new one family houses constructed in the U. S. carry a price tag falling between \$10,000 and \$14,999 than those in other price brackets. And, on the average, people were paying more for their new houses in 1955 than they were in 1954.

These facts emerge from a recent study of new housing by Dept. of Labor covering the first quarter of 1955. The department made a similar study, the first of its kind, a year ago covering the first quarter of 1954.

A comparison of the two studies

shows that the proportion of houses selling at prices under \$12,000 was smaller in 1955 than in 1954, and that there was a corresponding jump in the proportion of houses selling for more than \$12,000.

A breakdown of the figures by the four broad census regions (chart) shows that in the South the percentage of homes costing less than \$10,000 was slightly more than that for homes in the \$10,000-\$14,999 bracket. North Central region boasts the largest percentage of homes selling above \$20,000.

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The Tax Debate Begins

Election year and the likelihood of a budget surplus are focusing attention on tax policy. The debate on whether to cut taxes has already begun in Washington

(BW-Dec.10'55,p31).

What to do about taxes, like what to do about the farms, is not solely an economic question. It is also political and social. All too often in the past, we have suffered from a vicious cycle: Each time taxes are raised, the heaviest burden is placed on corporations and the limited number of rich; any time they are reduced, these same groups get the least relief. As a result, our tax structure is filled with distortions and inequities.

On Rational Grounds

Fortunately, the current debate began on sound and rational grounds—between a group of top-level economists, testifying before Congress, and the Committee for Economic Development, which issued a statement on tax policy.

The economists, speaking individually, all declared that with business booming, now was no time to cut taxes. One stated that the surplus should be used to reduce the national debt, and pointed out that if no attempt is made during a prosperous period, then we are

confessing that it can never be reduced.

They made other strong and respectable arguments against a tax cut. In general, their case was based on the notion that tax cuts would be inflationary at a time, like the present, when the economy is so active. This view sees inflation, above all, as the clear and present danger.

The CED's position, representing as it does the views of practical and public-serving businessmen, is no less rational or compelling. It has consistently maintained that taxes should be established at levels that would balance the budget under normal conditions of prosperity and full employment. This would provide a surplus in times of boom, which would exert a restraining influence; and a deficit in slack times, which would help sustain the economy.

How to Cut

'The CED holds that the prospective surplus can be used to reduce taxes. It does not feel that inflation is a serious threat. Even more important, it contends that the present level of taxes is too high and too punitive to foster steady economic growth.

To cut or not to cut is much less significant to the CED than how to cut. It does not want a haphazard approach; it is against the resumption of the vicious cycle. It feels that priority should be given to wiping out the unfair and discriminatory measures, more punitive than sensible, that are now on the books.

It seems to us that the CED has put its finger on the most pressing problem. Although there is much to be said for the orthodox view that a surplus should be used to retire the debt, the dangers of inflation do not appear so acute as to justify this step, especially when there is such a crying need to right the long standing injustices in the tax structure.

For example, the 52% rate on corporations may be necessary in wartime or other periods of national emergency, but cannot be considered as proper under normal conditions. It is so high, in fact, that it plays an unhealthy part in many business decisions, and can have a deflationary impact on the economy.

Individual income taxes are similarly unfair, especially on middle and upper income brackets. This seriously interferes with the incentive to take risks and affects the supply—and mobility—of investment funds.

There are other inequities in the tax structure. With a surplus in sight, we believe that this is the time to begin further overhauling of our crazy quilt tax rates to erase some of these injustices.

The Labor Merger

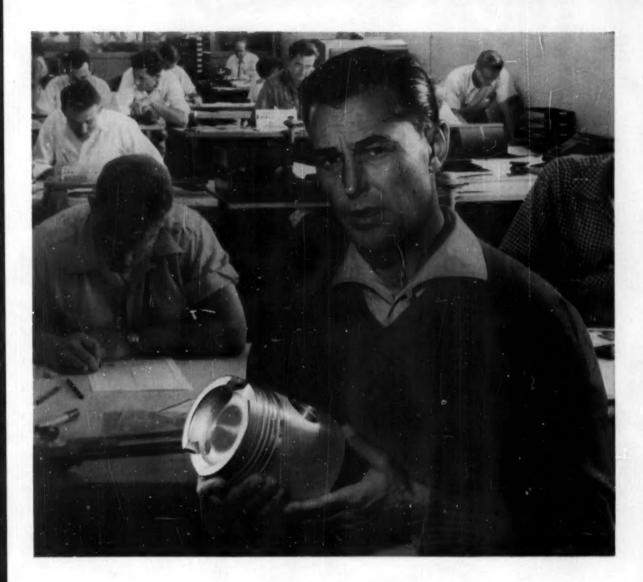
Now that the ceremonies which attended the establishment of the country's largest pressure group—the AFL-CIO—are out of the headlines, a few sober reflections may be in order. Reports from the New York merger meeting make it sound like a Democratic Party clambake and centered attention on the political interests and attitudes of the organization.

Some Republicans expressed understandable alarm over the implications of more extended and effective political action by labor. Additionally, some employers, regardless of their own political attachments, were apprehensive at the concentration of economic power that

the merged union movement represents.

If history is any guide, however, America has a considerable margin of safety provided by a self-adjusting mechanism which seems pretty securely built into our national life. When one group or interest gets too strong or reckless, an almost automatic mobilization to counter it occurs. Excess leads directly to reform; action to reaction.

Organized labor is not immune from these swings of the pendulum. The passage of the Taft-Hartley Act and its durability on the statute books, the passage by 18 states of "right-to-work" laws are fruits of the public consensus that labor can go too far. If labor now makes a new bid for power, it can be forecast that a new wave of labor regulation will follow.



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